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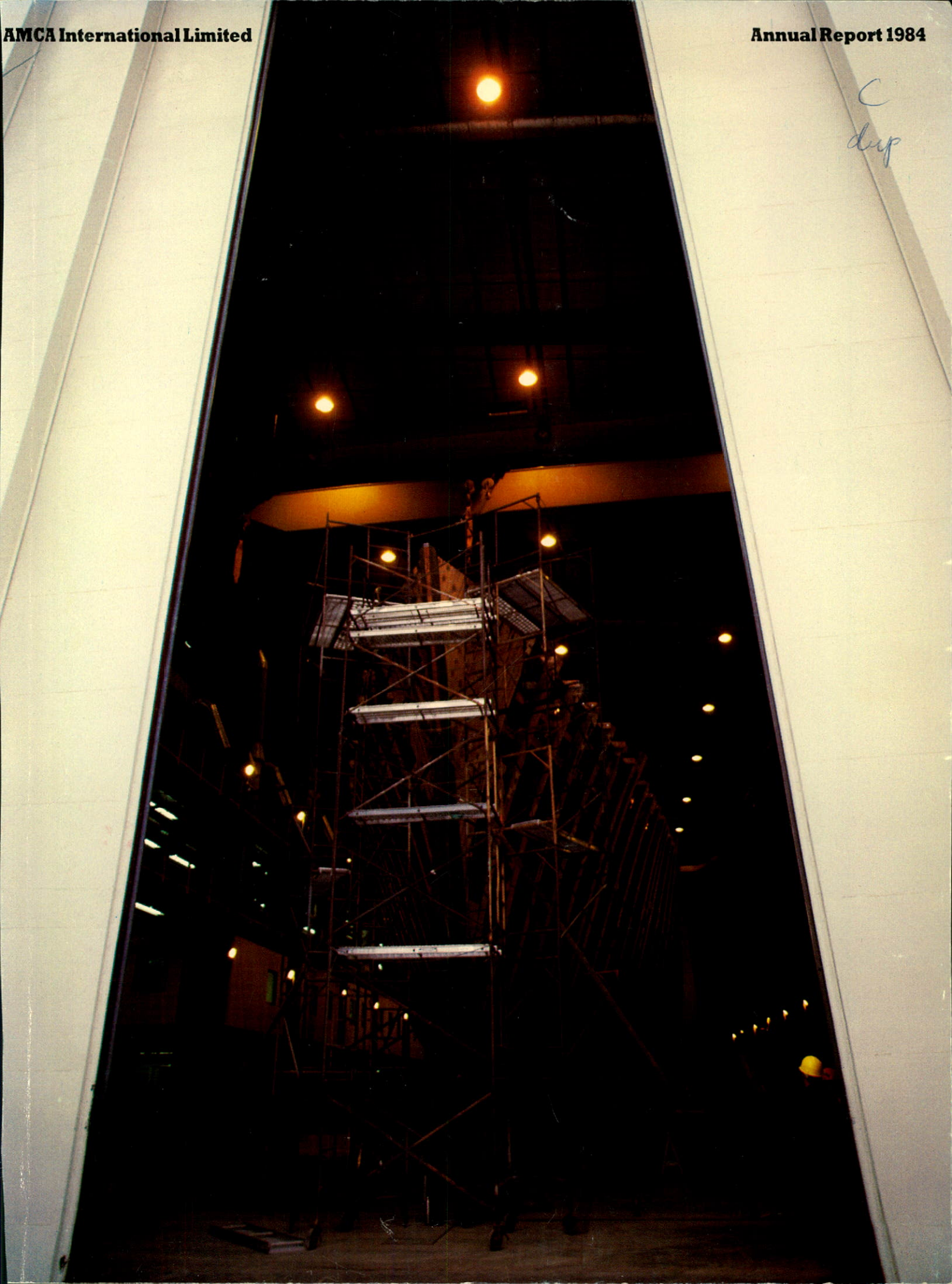

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AMCA International Limited

The Company was initially incorporated as Dominion Bridge Company, Limited in 1882, reincorporated with the same name under the Companies Act of Canada on July 30, 1912 and continued under the Canada Business Corporations Act effective May 8, 1980. On June 1, 1981 the Company name was changed to AMCA International Limited.

Shareholders' Meeting

The annual meeting of shareholders will be held in the Vanity Fair Ballroom, King Edward Hotel, 37 King Street East, Toronto, Ontario on Tuesday, April 23, 1985 at 10:00 a.m.

10-K Report and Other Reports

A copy of the Company's 1984 Form 10-K Report to the Securities and Exchange Commission, without exhibits, is available without charge upon request. Copies of previous annual reports and quarterly statements and the latest pictorial review, *World of AMCA International,* also are available. Please address your request to: Corporate Communications, AMCA International, Dartmouth National Bank Building, Hanover, NH 03755.

Le rapport 10-K et d'autres rapports

Une copie du rapport de 1984 de la Compagnie sur la forme 10-K sans annotations, préparée pour la Securities and Exchange Commission, est disponible sur demande, à titre gratuit. On peut également se procurer des copies des rapports annuels et des états financiers trimestriels antérieurs, ainsi que de la plus récente édition de la revue illustrée *World of AMCA International.* Veuillez addresser vos demandes à: Corporate Communications, AMCA International, Dartmouth National Bank Building, Hanover, NH 03755.

Cover: Massive Varco-Pruden structure at Wisconsin shipbuilding firm houses wooden hull vessels now under construction. The 70,000-square foot building includes two 80-foot wide bays separated by a 25-foot wide mezzanine structure. Bays can house complete vessels, each of which is about 225 feet long, nearly 40 feet wide and some 95 feet high. Modular sections fabricated at the yard are assembled in this erection facility. The building is one of the tallest ever produced by Varco-Pruden's Wisconsin profit center. It also has the largest door openings and supports a 50-ton crane in each bay, the heaviest ever supported by a building produced by Varco-Pruden/Wisconsin.

AMCA International is an operating company engaged worldwide in the design, engineering, manufacturing, marketing, installation and financing of a broad range of industrial products, construction equipment, engineering and construction services and machine tools. The Company's business is segmented as follows:

Construction Products
Compaction equipment; cranes and derricks; excavators; material handling and pile-driving equipment; tree harvesting and pulp and paper processing equipment.

Engineering and Construction Services
Bulk material handling systems; marine equipment; offshore petroleum production and distribution systems; turnkey petroleum refineries, petrochemical and industrial plants; pre-engineered building systems and vehicular tunnel tubes.

Financial, Marketing and Licensing Services
Financing to promote sales of AMCA products; purchasing of raw materials and components for AMCA units; marketing of AMCA products; licensing of proprietary AMCA patents and trademarks outside North America.

Industrial Products
Aerospace and automotive components; beverage, dairy and food processing and packaging machinery; foundry machinery and accessories; hydraulic components and systems; industrial fasteners; marine, industrial and shipyard cranes; metal forming machinery; water well and oil field drilling equipment; power brushes and buffs; pressure tanks and cylinders. Machine Tools – Computer numerically controlled horizontal and vertical lathes and turning centers; horizontal and vertical machining centers; horizontal boring, drilling and milling machines; automatic assembly machines; flexible manufacturing systems; transfer machines; computer numerical controls; microprocessors; cutting tools and fixtures; drill point grinders; balancing equipment.

Steel Products and Services
Steel production, distribution, fabrication and erection; energy products, services and systems related to the generation and transmission of electric power from fossil fuel, nuclear, hydroelectric, tidal power and waste conversion resources.

Financial Highlights* (Stated in millions)	1984	1983
Revenues	**$1,440.2**	$1,216.2
Income (loss) from continuing operations	**5.1**	(3.6)
Net loss	**(1.7)**	(39.3)
Total assets	**1,316.7**	1,250.1
Long-term debt	**412.1**	380.0
Shareholders' equity	**539.4**	442.7
Per Common Share Data (Stated in dollars)		
Loss from continuing operations	**$ (.07)**	$ (.11)
Net loss	**(.27)**	(1.19)
Common share dividends	**1.00**	1.00
Book value per common share	**9.71**	11.51
Common stock price TSE (high/low)†	**$28.00/17.00**	$30.75/18.75
Common stock price NYSE (high/low)‡	**$22.00/13.50**	$22.00/18.25

*All data have been restated to reflect the separate classification of the results of operations of discontinued businesses. See Note 2 to the Consolidated Financial Statements.

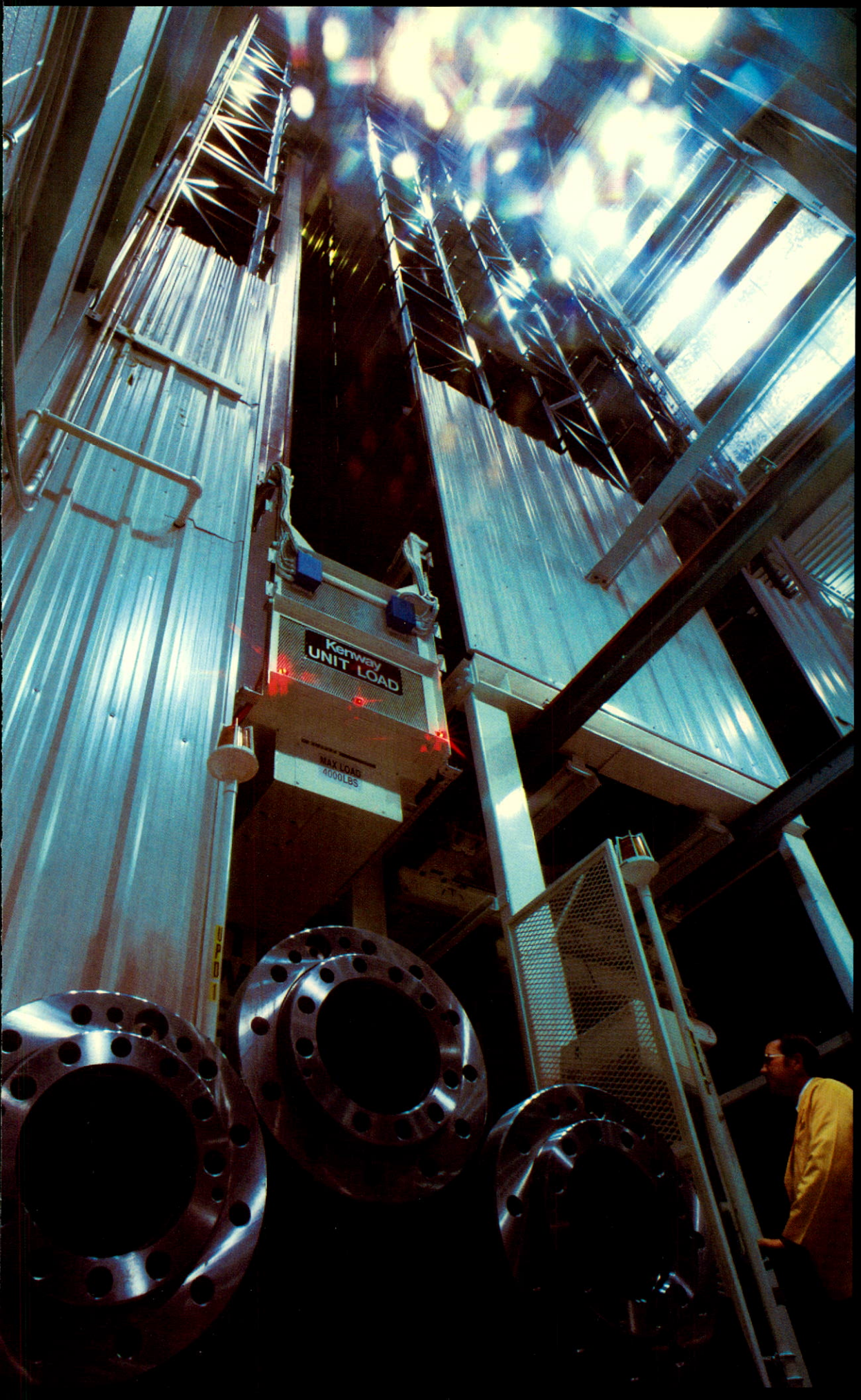
Loss per common share is calculated by deducting dividends applicable to preferred shares from income (loss) from continuing operations and from net loss with the result divided by the weighted average common shares outstanding during each year.

Book value per common share is calculated by deducting equity attributable to preferred shares from total shareholders' equity with the result divided by the common shares outstanding at the end of each year.

All figures in this Annual Report for the years 1977 to present are stated in U.S. dollars while 1976 and prior years are stated in Canadian dollars.

†In Canadian dollars.

‡In U.S. dollars. (AMCA International common stock commenced trading on the New York Stock Exchange effective at the open of trading December 6, 1983.)



A $3.9 million automated storage and retrieval system installed at Giddings & Lewis Machine Tool plant in Fond du Lac, Wisc., is 90 feet high, 160 feet long and handles parts up to two tons – like those in foreground. Two stacker cranes deliver parts from any of 2,400 cubicles within 90 seconds. Adjacent system for smaller parts delivers pieces up to 500 pounds from 5,400 bins in 60 seconds. The system is an integral part of AMCA's continuing commitment to factory automation and cost reduction.

Management's Report to Shareholders

The purpose of this letter is to capture the essence of the year just concluded. It is intended to supplement the accompanying Annual Report which goes into detail with respect to AMCA's affairs. As in the past, we encourage your review of the report in its entirety.

As a starting point in these comments, it will be recalled that, after 15 years of significant progress, we ran into difficulties in 1983 and incurred a loss for the first time in generations. In heading into 1984, we expected improved business conditions and anticipated that, as the year progressed, we would put the aftermath of worldwide recession behind us.

As 1984 turned out and as indicated months ago, the record rate at which we booked new business ($1.5 billion – up about 20 percent over 1983) developed too late in the year for the associated benefits to contribute materially to financial results. To capsule the latter:

– Revenues of $1.4 billion in 1984 were up 18 percent versus $1.2 billion in 1983;

– A pre-tax loss of $11.4 million resulted on that volume which we booked earlier in the year, and in 1983, at the unattractive price levels and profit margins then prevailing. This compared with a loss of $43.2 million in 1983 and translated, after income tax benefits, into:

– A profit of $5 million from continuing operations versus a loss of $3.6 million in 1983 before reflecting:

– Losses of $6.7 million in 1984 and $35.7 million in 1983 associated with operations discontinued for reasons we have previously described.

In combination, the aforesaid produced:

– A net loss of $1.7 million in the latest year versus a loss of $39.3 million in 1983.

– This worked out to a 7 cents loss per common share from continuing operations (after providing for preferred share dividends in 1984) versus a loss of 11 cents a year earlier (with no corresponding provision) and losses of 20 cents from discontinued businesses versus a loss of $1.08 in 1983 – resulting in a net loss of 27 cents in 1984 compared with a loss of $1.19 in the prior year. AMCA had an average of 33.3 million common shares outstanding in 1984 and 33.2 million in 1983.

– Dividends were paid quarterly as scheduled on page 2. In the case of the common shares, as in 1983, the annual payout of $1.00 per share was maintained notwithstanding the absence of profits.

Moving away from the numbers, and by way of further insight into 1984:

– Plant utilization improved significantly with capital spending posting very substantial gains in our major U.S. market as predicted last spring. AMCA, as noted, did not enjoy the benefits of that surge as early in the year as we would have liked, added to which recovery was uneven with, for example, markets in Western Canada soft, as were those involving the energy-related areas of our business and our crane and excavator product line. Volume improved in the case of the latter, and continues to do so, but pricing is still affected by discounting.

– Exports were, of course, not helped by the strong U.S. dollar which hurt our foreign sales efforts and, on the domestic scene, boosted imports competing with our products. In the longer term, that type of problem is usually self-correcting but a lot of damage and dislocation takes place in the short run.

– Much headway was made throughout the Company in reducing costs and arising out of, among other things, the continued elimination of redundancy and consolidation of manufacturing facilities on a number of fronts. These matters are elaborated on in the comments that follow. In a related sense, as the balance sheet conveys, we had $58 million tied up at year-end in assets associated with businesses discontinued and plan to convert that investment into cash available for other purposes including interest expense reduction. While focusing on cash and the need to conserve resources to support our improving fortunes, we should also draw your attention, with the Company in transition to profitable operations, to the fact that we will not pay income taxes on the next $300 million of operating profits. A more precise understanding of that generalization is conveyed in Note 4 to the accompanying financial statements.

A number of operations continued to perform well in the improving economy of 1984 including: Aerospace, AMCA Buildings, Cherry-Burrell, compaction equipment, financial services, Gilman, HUSCO, Jackson Buff, Janesville, JESCO, Manitoba Rolling Mills, MENCK and Osborn. The preceding were, incidentally, businesses that performed credibly under difficult circumstances a year ago.

Operations that fared less well and partly commented on elsewhere above included: AMCA Engineers & Constructors, Consumer Products (discontinued late in the year and expected to be sold momentarily), cranes and excavators, Dominion Bridge-Sulzer, marine, structural steel and steel warehousing.

Other developments of significance during the year included:

– A successful Cdn. $200 million convertible preferred share issue late in the fourth quarter with the proceeds used to reduce short-term debt and associated annual interest expense which, in the circumstances, we absorbed for most of the year. This added about 40 percent to the equity base and, in considerable measure, redressed the relationship of equity to debt.

– A US $50 million Eurodollar issue which replaced part of our floating rate debt with fixed arrangements, a move deemed desirable, plus a number of actions specifically directed at cost reduction and better productivity, such as:

– The sale of our Morgan Engineering plant in Alliance, Ohio and the consolidation of the Morgan products and operations with our Provincial Crane operation in Niagara Falls, Ont.;

– The closing of our Milwaukee plant and the consolidation of crane and excavator operations in our Waverly, Iowa plant;

– The mothballing of Wiley Manufacturing pending better markets;

– The restructuring of operations at Dominion Bridge-Sulzer as elaborated on elsewhere in this report;

– The consolidation of a number of activities in Western Canada including the suspension of steel and plate fabrication at our Edmonton, Alta. plant.

And, on the other side of the coin, some significant plant updating and expansion during the year including:

– The completion of phase two of our expansion plans at Varco-Pruden's Missouri plant;

– A consolidation and modernization program at Robb Engineering in Nova Scotia helped by federal and provincial grants;

– The installation of some significant energy saving equipment at Manitoba Rolling Mills – part of an ongoing five-year plant upgrading;

– The completion of a $4 million automated warehousing and retrieval system at Giddings & Lewis' major Fond du Lac plant;

– The installation of CAD/CAM systems in a number of our operations improving, for instance, productivity in the design and manufacture of components to precise tolerances;

– The establishment of a new HUSCO production facility in the United Kingdom to serve the European Common Market with hydraulic valves;

– The acquisition of two manufacturing plants by the AMCA Buildings Division, providing needed in-place capacity for this fast growing business;

– And, a number of new product developments enlarged upon further on in this report.

During the year, in the acquisition and divestiture area, we:

– Sold the foam product manufacturing element of Janesville, and:

– Bought Unit Crane, a manufacturer of offshore cranes, to augment our Clyde product line and provide a more complete line of cranes for offshore applications. This is another of the small product line acquisitions made over the years (such as the Stran purchase in late 1983) which, almost without exception, have proven to be very successful ventures.

We also had some changes in our Board of Directors, specifically:

– The retirement last April of Senator Ian Sinclair and Heward Stikeman after years of dedicated service to this organization. These gentlemen were outstanding Directors and, having reached age 70, stepped down in accordance with the automatic retirement provisions of our bylaws. They were succeeded by Messrs. Douglas Reekie and Arthur Temple who we expect will make a significant contribution to AMCA's affairs.

We made the turn into 1985 with work to be completed of $555 million versus $538 million a year ago. In late December, a $55 million project, previously in backlog, was cancelled by our customer while another large piece of business ($60 million) remained, as it has for some months, in the letter of intent stage and, accordingly, was not carried in the year-end backlog. On a related note, we have booked some significant business in 1985 to date, including in the machine tool end of our operations, with prices and profit margins in the backlog continuing to improve.

As we look at the year ahead:

We are, as noted elsewhere above, conserving cash and to that end did not pay a common share dividend in the current quarter. We believed this decision was necessary to better address the increasing opportunities and improving activity levels that shape up. More specifically, we believe economic recovery will continue in North America with capital spending strong, aided by lower, more stable, interest rates. Price levels will continue to be affected by surplus capacity in the marketplace, foreign competition and a continuing strong U.S. dollar. Internationally, recovery will move at a slower pace encumbered by uncertainty surrounding world oil prices. In that overall context, we do not expect to do much more than balance revenue and expense in the first quarter as we take into P&L essentially the last of the unprofitable work in the backlog. Starting in April, however, we should be in the black and anticipate an increase in revenues for 1985 of about 20 percent with a consequent contribution to net earnings. That estimated increase in sales would still leave us 15 percent shy of a reasonable $2 billion revenue target for AMCA as presently constituted. As you may appreciate, the profit leverage in that "next mile" is substantial and, if markets continue to improve, is attainable in 1986 which would put us back on track with respect to our objectives for this decade.

In closing, the help of many people in the past 12 months is very much appreciated.

K. S. Barclay

Kenneth S. Barclay
Chairman, President and
Chief Executive Officer

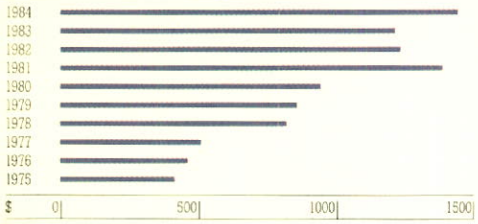
March 18, 1985

Kenneth S. Barclay
Chairman, President and Chief Executive Officer

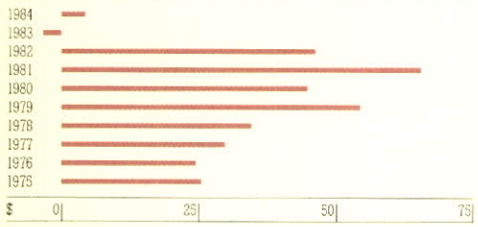
Operating Philosophy and Objectives

Pre-1970, the Company fabricated structural steel and provided engineering and construction services predominantly for the Canadian market. Through selective acquisitions and internal growth it is now, in addition, a worldwide producer of a broad range of industrial products, construction equipment, engineering and construction services and machine tools.

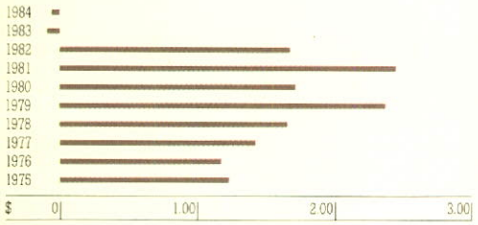
Revenues
(In Millions)



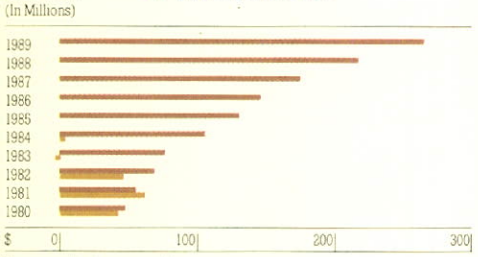
Operating Income*
(In Millions)



Operating Income* Per Share



Operating Income* ■ **Plan** ■ **Performance**
(In Millions)



*From continuing operations

Philosophy

AMCA International was formed in 1882 and for the first 87 years was essentially a structural steel fabricator serving the Canadian market. At the beginning of the 1970s, the Company embarked on a program aimed at growth and diversification within the scope of its expertise – the design, engineering, manufacturing, marketing, installation and financing of steel-based products and services primarily for industrial customers.

This program has produced substantial growth and diversification, beginning with the acquisition of Varco-Pruden in 1970. The major acquisitions of Amtel, Koehring and Giddings & Lewis in 1977, 1980 and 1982, respectively, have been complemented by a number of other acquisitions which broadened the product line.

The acquisition program, founded on the principle of balanced diversification, helps protect AMCA against economic cycles and product obsolescence while promoting participation in new markets and technologies. The overriding philosophy is:

– maintain the broadest posture possible;
– straddle a number of industries and markets;
– avoid the instability and unfavorable consequences invariably associated with single-industry/nation identification.

AMCA International allocates resources (people, money and materials) accordingly and invests for "return," avoiding emotional attachments to any product or physical location, recognizing that each has its day in the sun. Continuing emphasis is placed upon margins (profitability) and turnover (asset utilization relative to volume generated) to maximize return on investment. At any point in time, management is guided by three basic priorities:

– avoid catastrophe;
– meet and beat the current business plan;
– organize for future profit improvement.

Objectives

Prior to the beginning of the 1970s the Company was operating at an annual sales level of $168 million. Operating income was $4 million. Management set out to improve results and to expand through acquisitions and internally generated growth – with the objective of achieving $1 billion in sales by the end of the 1970s while generating income of $50 million net from operations. Those were ambitious goals and implied that, over the ten-year target period, the Company must increase sales and earnings at average annual compound rates of 20 percent and 30 percent respectively. By the close of the decade of the 70s, the objectives were met.

In the process, AMCA:

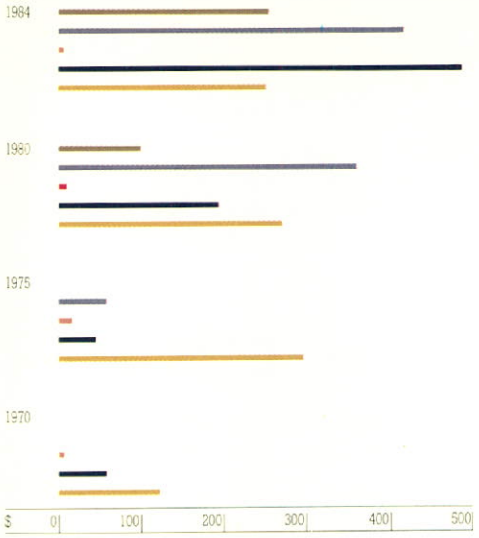
– improved the quality of its earnings;
– developed a capable management organization – in depth – in its operations and at corporate staff levels;
– strengthened its position in the industries it serves through judicious acquisitions and entered new industries compatible with its basic skills;
– made the Company better known and more highly regarded;
– made significant progress in the vital area of return on shareholders' equity.

Subsequently, management worked out a broad strategy and related tactics for growth and development in the 1980s much as it did at the beginning of the last decade. It is AMCA's plan to continue to provide an expanded range of industrial, steel-based products and services of quality for a widening spectrum of customers. In essence, the Company has targeted to reach by the end of the 1980s sales exceeding $5 billion and net operating income of at least $270 million. Despite the effects of the worldwide recession on AMCA's customer base and markets leading to the results achieved in 1983 and 1984, management remains confident that goals for the decade are attainable.

Sales and Operating Profit by Segment

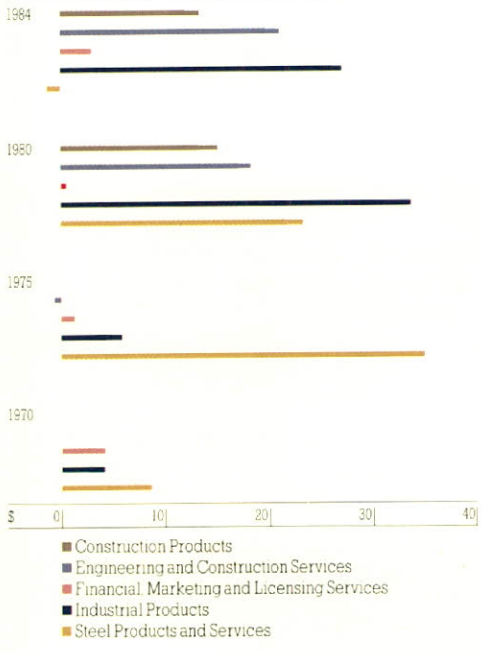
Sales by Segment

(In Millions)



Segment Operating Profit

(In Millions)



Sales

(In Millions)

	Construction Products		Engineering and Construction Services		Financial, Marketing and Licensing Services		Industrial Products		Steel Products and Services		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
1984	260	18	418	29	7	1	485	34	256	18	1,426	100
1983	201	17	315	26	3	–	447	37	248	20	1,214	100
1982	218	18	373	30	4	–	359	29	285	23	1,239	100
1981	309	23	439	32	3	–	295	21	327	24	1,373	100
1980	104	11	362	38	12	1	194	21	272	29	944	100
1979	–	–	349	40	33	4	199	23	287	33	868	100
1978	–	–	335	41	45	5	173	21	270	33	823	100
1977	–	–	104	20	59	11	71	14	287	55	521	100
1976	–	–	95	21	20	4	82	18	259	57	456	100
1975	–	–	66	15	19	4	45	10	300	71	430	100

Operating Profit

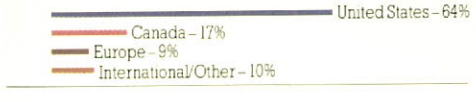
(In Millions)

	Construction Products		Engineering and Construction Services		Financial, Marketing and Licensing Services		Industrial Products		Steel Products and Services		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
1984	13	21	21	34	3	5	27	43	(2)	(3)	62	100
1983	5	14	(2)	(5)	10	27	25	67	(1)	(3)	37	100
1982	15	12	30	25	20	16	39	32	18	15	122	100
1981	48	26	32	17	23	13	46	25	34	19	183	100
1980	15	17	18	20	1	1	34	37	23	25	91	100
1979	–	–	22	25	8	9	28	31	31	35	89	100
1978	–	–	37	40	5	5	26	28	25	27	93	100
1977	–	–	13	24	7	13	16	30	18	33	54	100
1976	–	–	10	19	2	4	20	38	21	39	53	100
1975	–	–	(1)	(2)	2	5	6	14	35	83	42	100

Segment operating profit is further defined in Note 12 to the Consolidated Financial Statements. Years 1977 to present are stated in U.S. dollars, while 1976 and prior years are stated in Canadian dollars.

Data for all years have been restated to reflect the separate classification of the results of operations of the discontinued businesses (See Note 2 to the Consolidated Financial Statements).

Sales Distribution



Sales Distribution

Of the total of all AMCA International products and services provided during 1984, 64 percent was sold to customers in the United States, 17 percent was sold to customers in Canada, 9 percent to customers in Europe and 10 percent to customers in other areas around the world.

Construction Products

Results: Sales of $260 million and operating profits of $13 million were a marked improvement over 1983 but continued below normal levels. Sales and earnings of compaction equipment increased, reflecting improved markets in North America. Sales of MENCK hammers were down due to delays in offshore construction projects, a result of unstable oil prices. Crane and excavator sales and earnings, while improved, were still affected negatively by intense price competition. Sales and earnings of material handling and woodlands equipment improved as a result of successful new product introductions and better market conditions.

Outlook: Results should improve in 1985 due to continuing expansion of North American compaction equipment markets, continuing capacity consolidation, new crane and excavator product offerings, new woodlands equipment introductions and more demand for foundation equipment.

At a U.S. Navy training center under construction in Georgia, a BOMAG tandem vibratory roller compacts soil around concrete footings. A Koehring 6614 hydraulic excavator is also in use at the site.

Compaction and Foundation Equipment

BOMAG is a world leader in compaction equipment. Headquartered in West Germany, BOMAG also has plants and assembly facilities throughout the world. Products include tampers, walk-behind rollers and double-drum vibratory compactors, large earth compactors and a full line of vibratory tandem and rubber-tired road rollers, sanitary landfill compaction equipment, soil stabilizers and asphalt recycling machines. BOMAG also produces hydraulic and steam pile hammers sold under the MENCK name and used for both offshore and onshore applications.

Despite the greatly reduced world market for construction equipment in 1984, BOMAG exceeded its 1983 sales and earnings. Most significant gains came from improved market conditions in North America. Market penetration in North America was aided by the introduction of BOMAG compaction machines, manufactured in West Germany for world distribution, and as a consequence, favored by currency exchange rates.

Sales of MENCK hammers were adversely impacted by the uncertainty of world oil prices during 1984 which caused postponement or cancellation of several offshore construction projects. MENCK is pursuing several major projects which are under active consideration. With these prospects and bookings made in the second half of 1984, MENCK should achieve significantly improved results in 1985.

Cranes, Excavators and Material Handling Equipment

This division, headquartered in Wisconsin, designs, manufactures and markets a broad line of hydraulic cranes, heavy-duty hydraulic excavators and material handling equipment for the construction industry. These products are marketed throughout the world under the Koehring, Lorain, Skat Trak and Skytrak® names. Plants are located in Iowa, Tennessee and Wisconsin.

Depressed construction equipment markets in North America, industry overcapacity and increased foreign competition influenced by a strong U.S. dollar, combined to restrain sales and depress prices in 1984. The strength of the U.S. dollar also affected sales of these products for export. This combination produced another poor year for the crane and excavator business. Further moves have been made, in addition to those taken in 1983, to improve product quality, reduce manufacturing costs and consolidate capacity. In December, plans were announced to close the Milwaukee plant and to consolidate production of cranes and excavators in the more modern facilities at Waverly, Iowa. This restructuring, plus new models to be introduced in 1985, including some imported from Japan and marketed under the Koehring name, will help to make the Division more competitive and attractive in the market from both a cost and product point of view.

Sales and earnings for material handling equipment (forklifts and loaders) were notably better than in 1983. This improved business resulted largely from increased activity in the multi-family home building industry in the United States and from increased sales emphasis in Europe.

Koehring Canada, located in Ontario, manufactures machinery for harvesting and processing pulpwood as well as paper mill machinery. Sales and earnings improved measurably in 1984 due in part to increased activity in the Western Canadian lumber and paper industries as well as successful new product introductions. The year ahead holds promise of further improvements as these new products gain wider acceptance.

BOMAG

MENCK

Koehring Construction Equipment

Koehring Cranes & Excavators

Koehring Canada

Engineering and Construction Services

Results: Sales of $418 million were 33 percent better than in 1983. Operating profits of $21 million represented a $23 million improvement over last year's operating loss. Metal building sales and operating profits improved significantly over 1983 due to improved market conditions and the acquisition of the Stran and Quonset lines in late 1983. AMCA Engineers & Constructors achieved modest results in the face of heavy competition for few available contracts. JESCO had record sales and earnings. The Marine Division incurred a loss resulting from minimal activity in the offshore petroleum and marine fabricating sectors.

Outlook: AMCA Buildings anticipates continued growth and profitability gains in 1985 from expected strong markets and its expanded capacity. Improvement in AMCA Engineers & Constructors and IMODCO is dependent upon better conditions in energy markets.

A Varco-Pruden building near Boston, Mass., provides an economical maintenance and repair structure for railroad locomotives and commuter cars. Versatile Varco-Pruden buildings serve a wide variety of commercial and industrial needs worldwide.

AMCA Buildings

AMCA Buildings encompasses Varco-Pruden Buildings, Stran Buildings and Construction Services and is one of the world's largest manufacturers of pre-engineered metal buildings. Varco-Pruden's headquarters are in Tennessee. Plants are located in Alabama, Arkansas, California, Missouri, North Carolina and Wisconsin. Stran, headquartered in Georgia, has plants in Georgia and Ohio. Varco-Pruden and Stran products are marketed in the U.S. and Canada through more than 1,200 builder dealers and through Span Holdings Limited throughout the rest of the world. AMCA Buildings also manufactures and markets buildings for agricultural applications under the Quonset name.

The improved market for pre-engineered buildings in 1984 and the acquisition of Stran in 1983 made it possible for AMCA Buildings to achieve record sales and earnings. AMCA Buildings recently acquired two additional plants, in Alabama and Ohio, each fully equipped to manufacture pre-engineered buildings, which will be utilized to bolster manufacturing capacity by 20 percent between Stran and Varco-Pruden. Varco-Pruden also proceeded with a $6.5 million expansion of its facility in St. Joseph, Mo., making it a fully integrated operation. In combination, Stran and Varco-Pruden builder dealers erected over 6,000 custom-designed pre-engineered metal buildings in 1984, totaling over 50 million square feet of space – 1,000 more structures and ten million more square feet than the previous year. Equivalent or greater market demand is anticipated for 1985.

AMCA Engineers & Constructors

AMCA Engineers & Constructors is comprised of four engineering and construction operations – Litwin Engineers & Constructors, Litwin Corporation, Litwin S.A. and ORBA. Headquartered in Texas, Litwin E&C and Litwin Corporation design and construct oil refineries and petrochemical/chemical plants. Litwin S.A., in France, is engaged in the design, engineering and construction of petrochemical plants outside the United States. ORBA, whose offices are in New Jersey, provides turnkey engineering and construction services for handling and transporting bulk materials as well as full services for operating bulk handling facilities.

Results in 1984, although improved over 1983, continued to reflect poor markets in the traditional Litwin business, both domestically and worldwide, as a result of scarcity of large refinery construction projects, creating severe competition and reduced margins. Litwin S.A. and ORBA likewise suffered from the worldwide decline in their markets and the reduced number of petrochemical and other energy projects. ORBA's facilities operating services continued to be profitable during 1984. Improvement in these businesses is dependent primarily upon the stabilization of world oil prices.

JESCO

JESCO, located in Mississippi, is an open shop contractor concentrating on the design and construction of industrial and commercial buildings and process facilities in the southeastern United States. The unit enjoyed record sales and earnings in 1984 as demand was strong for industrial buildings in the Sunbelt region it serves. JESCO continued to broaden its penetration of the general construction market.

Marine Division

Marine Division includes DB/McDermott, IMODCO and Wiley Manufacturing. DB/McDermott is a partnership with McDermott Incorporated to do research, engineering, fabrication and construction of offshore drilling and production platforms and installation of oil and gas marine pipelines in Canada. IMODCO, which serves the offshore energy market, is headquartered in California. This unit engineers, procures and installs single point offshore mooring terminal systems for loading and offloading liquid (primarily crude and refined petroleum products) and solids in slurry form. IMODCO also designs, procures and installs systems for mooring process/storage tankers.

Except for some engineering assignments, DB/McDermott was inactive in 1984 as low world oil prices diverted interest from offshore construction.

The Company's one-third interest in Halifax Industries Ltd., a Nova Scotia shipbuilding and repair company, was written off in late 1984 as a result of depressed business conditions and the continuing postponement of offshore oil development in Eastern Canadian waters.

IMODCO's results for 1984 were unsatisfactory, reflecting the world oil markets and consequent project deferrals. Project quotation activity, however, was at an all-time high which, with more stable energy markets and an active product development program, should lead to significantly improved results.

Wiley, located in Maryland, is a medium-sized marine fabricator. The severely depressed U.S. commercial shipbuilding market prompted the Company to mothball the Wiley facilities. Prior to that decision, Wiley built specialty marine vessels, vessels for energy-related uses, and fabricated steel vehicular tunnel tubes. The operation can be reactivated within a relatively short time as maritime business returns to normalcy. Other manufacturing opportunities suitable for the Wiley facility continue to be sought.

AMCA Buildings
- Quonset Buildings
- Stran Buildings
- Varco-Pruden Buildings
- Construction Services

AMCA Engineers & Constructors
- Litwin Corporation
- Litwin Engineers & Constructors
- Litwin S.A.
- ORBA

JESCO

Marine Division
- IMODCO
- Wiley
- DB/McDermott*

*A 50 percent-owned non-consolidated partnership

Financial, Marketing and Licensing Services

Results: AMCA's domestic financing business was up significantly, reflecting an improvement in the U.S. construction equipment market. International financing and trading activity fell short of expectations due to the slow turnaround of the world economy and the strength of the U.S. dollar.

Outlook: International money management, licensing, financing and marketing services provided by these operations continue to play a key role in enabling the Company to effectively market products throughout the world. A new marketing thrust in the U.S. is expected to boost business during 1985, especially in the Southwest. An office opened in Tokyo will aid AMCA's purchasing capabilities in the Far East. Strengthened management and expanded distribution by Span Holdings is aimed at improved sales of AMCA export products.

As world food requirements grow, and areas are converted to fertile farmland. Speedstar well drilling rigs are used extensively to find irrigation water sources. AMCA's financing services help make possible purchases of Speedstar rigs and other Company equipment.

This segment of AMCA's business provides financial and trading services to other AMCA operations and to AMCA customers. The group, through AMCA Netherlands B.V., also functions as AMCA's international holding company. Overall, the segment had an excellent year with good results in terms of both revenue and earnings. Improvement in the U.S. economy was reflected in an upturn in the segment's domestic business. While performance internationally was acceptable, it fell short of anticipated growth due in part to the sluggish economic recovery of the international sector and the continuing strength of the U.S. dollar.

Holding Function

From corporate headquarters in The Netherlands and through branches or subsidiaries located in the United States, Switzerland, the United Kingdom, Australia and Japan, AMCA Netherlands B.V. is engaged in a range of business activities including those normally associated with an international holding company including licensing of proprietary patents and trademarks throughout the world.

Financial Services

AMCA Netherlands B.V. operations in Fribourg, Switzerland and in London, England, provide AMCA's international customers with financing for goods produced and services offered by the AMCA family of companies. AMCA International Finance Corporation (AIFC), in Wisconsin, provides a broad range of financial services to support the sale of products manufactured by AMCA operations and sold in the United States. AMCA International Finance Limited (AIFL), in Alberta, provides identical services to support the sale of products manufactured by Company operations in Canada.

The operations and services of AIFC continued to expand during 1984 making possible the penetration of markets not previously served. The name Koehring Finance Corporation was retired in 1984 in favor of AMCA International Finance Corporation, which more properly identifies the company-wide scope of this unit's operations.

Domestic financing improved over 1983 from higher activity in cranes, excavators and compaction equipment. Results for international financing were down compared with 1983 due to reduced activity in product financing reflecting the general sluggishness of export sales from North America and a resultant reduced loan portfolio at lower interest rates. In the process, the international finance operation was fine tuned with additional management strength in preparation for what is expected to be an improved market for its services in 1985.

Trading Services

The Company conducts its trading activities from three locations. Span Holdings S.A., based in Fribourg, Switzerland, provides a broad spectrum of purchasing, trading and related services for the AMCA International family of companies. A purchasing office, opened in Tokyo in 1984, increases the ability of Span S.A. to procure products and components in the Far East market. Span Holdings Limited, located in Nassau, owns, or has under license, rights to market throughout most of the world a variety of AMCA International products including pre-engineered metal buildings.

As the value of the U.S. dollar continued to gain strength against other currencies, selling U.S.-manufactured products in the world market was difficult. On the other hand, that same U.S. currency strength made it attractive to buy products and components on the world market for use by Company operating units in the United States. The downturn in AMCA's consumer products business had a negative effect on Span Holdings during 1984.

Moves made during 1984 to position Span Holdings for increasing business include strengthening the management of the operation, expanding worldwide distribution capabilities to enhance sales of AMCA products exported from the United States and stepping up licensing activities, making possible the production of proprietary products by non-Company manufacturers around the world.

Holding Services
- AMCA Netherlands B.V.

Financial Services
- AMCA International Finance Corporation
- AMCA International Finance Limited
- AMCA Netherlands B.V.

Trading Services
- Span Holdings Limited
- Span Holdings S.A.

Results: Sales of $486 million and operating profits of $27 million were somewhat better than 1983 results, reflecting general improvement in capital goods markets. Businesses serving the automotive market showed a significant sales and earnings increase. Competitive pricing pressures for Giddings & Lewis machine tools resulted in slim margins but increased volume offset the softness in margins and resulted in profitability in 1984.

Outlook: Significant sales and earnings improvement is expected in 1985 primarily due to increased G&L activity. Other businesses in the segment are expected to maintain the 1984 level of profitability as a result of continued strong automotive and aerospace markets.

CAD/CAM computer graphics accelerate Fenn's ability to produce precision aerospace components faster, better and more competitively than ever. Engineers analyze complex products, determine best production methods and program machine tools (many are G&L systems) to produce quality products for which Fenn is famous.

Aerospace Division

Aerospace includes Fenn Manufacturing and Monroe Forgings. Fenn, located in Connecticut, provides precision machining of customer-designed components primarily for the aerospace industry. Fenn also produces metal forming machines. Monroe, whose plant is in New York, produces alloy metal forgings used predominantly in the manufacture of jet engines.

The Division's results benefited from strong aerospace markets in North America and an expanded customer base. However, increased competitive pricing pressures resulted in lower margins which partially offset volume gains. Further growth is expected in 1985 due to anticipated continuation of defense spending and further development of the expanded customer base.

Cherry-Burrell

Cherry-Burrell, headquartered in Iowa with additional plants in New York and Kentucky, is a world leader in the manufacture of sanitary processing and packaging equipment for the beverage, food and pharmaceutical industries. Major product lines include gable-top beverage carton fillers, process equipment such as homogenizers and ice cream machines, hard capsule machines, stainless steel fittings and valves, tanks and vessels.

Cherry-Burrell continued to enjoy good business with improved sales and earnings in 1984, aided by a full year of excellent sales and earnings by its Anco/Votator profit center which produces food, meat and chemical processing equipment.

Cherry-Burrell also increased sales of equipment utilizing its aseptic processing technology and introduced three new milk carton fillers. One of the new carton fillers operates at lower speeds than any previously manufactured by this unit, helping Cherry-Burrell gain entry into smaller dairies and developing nations. With its new models in place and the general economy improving, Cherry-Burrell expects continuing favorable results again in 1985.

Industrial Components

AMCA's industrial components operations serve a broad spectrum of U.S. industry, particularly the automotive, construction, agricultural and material handling sectors.

Janesville, with plants in Ohio, Oklahoma and Wisconsin, produces non-woven fibrous padding for automotive seats, side panels and under-carpet. Continental/Midland, located in Illinois and Ohio, makes threaded and non-threaded fasteners for the automotive, construction and appliance industries. Osborn, with facilities in Ohio, Kentucky and France, manufactures power and maintenance brushes and foundry machinery. Jackson Buff, in North Carolina, is a leading U.S. manufacturer of industrial buffs.

The general upturn in the automotive industry during 1984 produced increases in sales for Janesville, Continental/Midland and Osborn. Jackson Buff continued its long history of profitable years with a record performance in 1984. With the outlook for continued rejuvenation in the automotive industry for 1985, Janesville, Osborn and Jackson Buff are expected to continue their strong performance. Further reduction of manufacturing costs and improvements in product quality will aid Continental/Midland in becoming more competitive as this unit continues a turnaround to profitability.

The Company's fluid power operations manufacture hydraulic cylinders (Benton Harbor Engineering), hydraulic control valves (HUSCO) and steel cylinders and pressure vessels for gases, liquids and solids (Pressed Steel Tank).

Improvement in the material handling and construction equipment industries created improved bookings and results for HUSCO during the year. The Company established a plant for HUSCO in England to serve anticipated growth of manufacturing needs in the United Kingdom and throughout Europe. The combination of competitive pricing pressures and high manufacturing costs resulted in poor results at Benton Harbor and Pressed Steel Tank. The consolidation of Benton Harbor operations into one facility, product cost reductions and additional volume are expected to produce improved results for these units in 1985.

Aerospace
- Fenn Manufacturing
- Monroe Forgings

Cherry-Burrell
- Anco/Votator

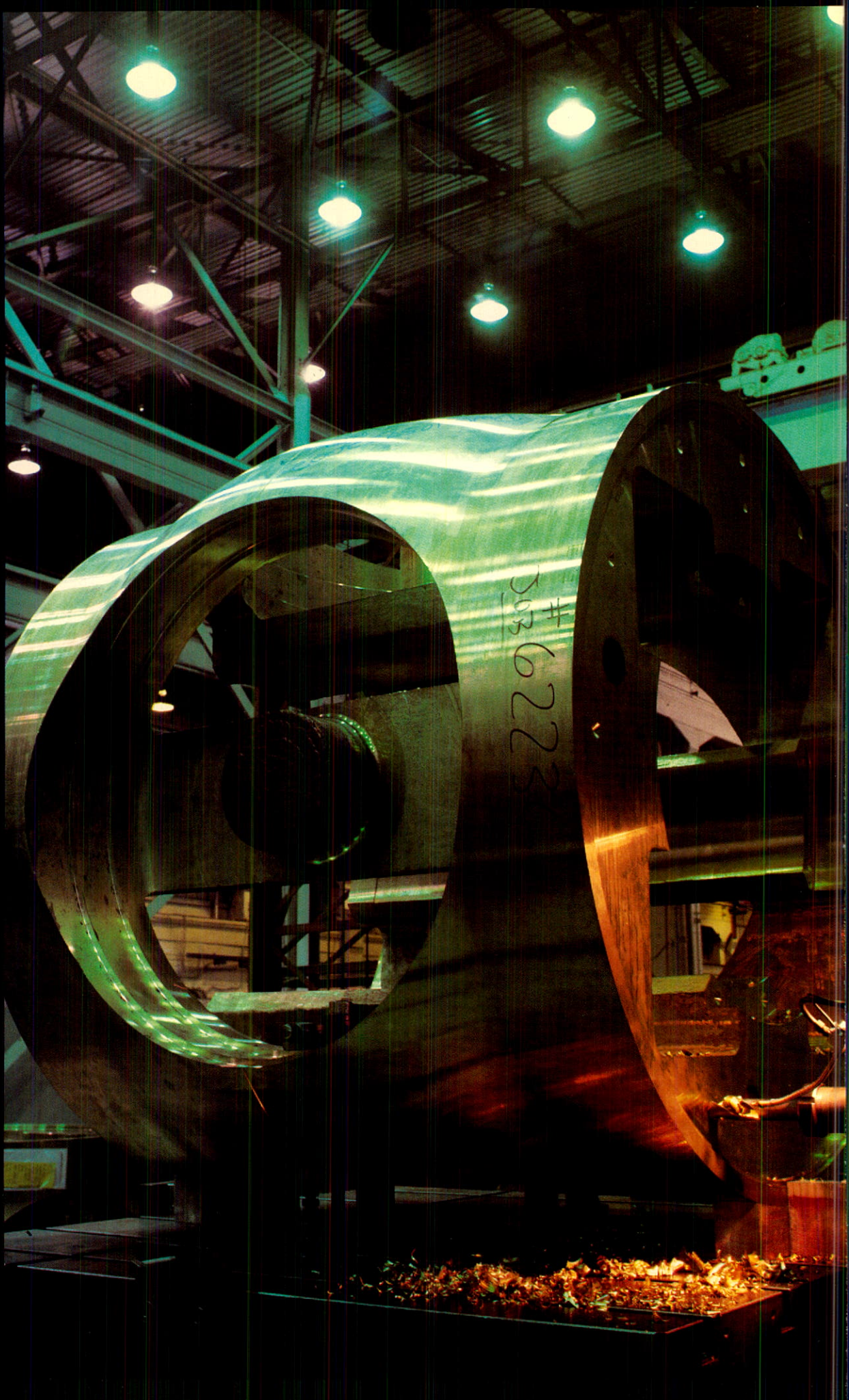
Industrial Components
- Benton Harbor
- Continental/Midland
- HUSCO
- Jackson Buff
- Janesville Products
- Osborn
- Pressed Steel Tank

Machine Tools
- Davis Tool
- G&L-Bickford
- G&L Foundry
- G&L-Fraser
- G&L Machine Tool

Systems and Controls
- Basic Electronics
- G&L Electronics
- Gilman
- Pegasus
- Snyder

Marine and Industrial Cranes
- Clyde
- Morgan/Provincial

Speedstar



A massive component for a marine propulsion system requires painstaking and complex machining. G&L computer-controlled machine tools are selected by manufacturers the world over to turn out products large and small with speed, economy and precision.

Machine Tools

Giddings & Lewis' General Purpose Machine Tool Division is a major manufacturer of machine tools and related products with plants in Wisconsin, Michigan and Scotland. G&L manufactures high precision, heavy-duty metal-cutting machinery and related tooling and accessories and is a leading producer of computer numerically controlled (CNC) machine tools. Giddings & Lewis' Systems and Controls Division has plants in Wisconsin, Michigan and Illinois. Products include: automatic assembly machines, transferline machinery, CNC systems, programmable controllers and microcomputers for machine tools and other industrial applications. Other products include host computer systems, electronic measuring equipment, diagnostic devices, printed circuit boards, servo valves and load simulators. Together, the two G&L divisions are a world class producer of flexible manufacturing systems for the factory-of-the-future concept of production.

Despite a low backlog entering 1984, improving but still depressed markets, intense competition and resulting price pressures, the machine tool operations increased their sales and operated profitably in 1984. In the process, G&L maintained its dedication to state-of-the-art technology, producing equipment for the factory-of-the-future. The machine tool operations enter 1985 with backlogs double those of a year earlier and, although price pressures still prevail, significant improvement is expected in 1985.

Gilman received national and state awards for design and production of its highly successful automated assembly system for the Pontiac Fiero automobile. G&L Electronics successfully introduced a new programmable industrial computer which provides new levels of control for the Snyder NumeriStation™ and is also ideal for a wide range of other industrial control applications. Systems and Controls made further gains in flexible manufacturing systems as it received orders from customers in plastics machinery and aerospace/defense. G&L Machine Tool shipped the first units for closed cycle machining in factory-of-the-future complexes and continued installation of its own flexible manufacturing system at its Fond du Lac plant. Bookings for Giddings & Lewis increased as 1984 progressed, including a first contract from China. Prospects for 1985 are promising.

Marine and Industrial Cranes

Clyde, located in Minnesota, designs and manufactures revolving *Whirley* cranes and specialized equipment for lifting and pulling extremely heavy loads. Clyde's 1984 results suffered from greatly reduced activity in offshore construction, stevedoring and shipbuilding markets.

Late in 1984, Clyde acquired the product line and certain assets of Unit Crane, a manufacturer of pedestal cranes for offshore drilling and production platforms. This acquisition is a logical extension of Clyde's product line and provides further opportunity to capitalize on Clyde's long-standing reputation as a leading manufacturer of lifting equipment for the offshore oil industry. With this acquisition and somewhat better bookings in late 1984, Clyde expects an improved but still depressed 1985.

Morgan/Provincial

The Morgan and Provincial businesses were combined in 1984 and the Ohio plant was sold. Provincial has long been known as one of Canada's leading manufacturers of overhead industrial cranes. Morgan/Provincial, whose facilities are in Ontario, with sales and part services located in the United States, makes cranes used in steel mills for material handling and general industrial applications. Results in 1984 at Morgan/Provincial reflect the low level of capital spending for steel mills in North America, a situation which should improve in 1985.

Speedstar

Located in Oklahoma, Speedstar is a major supplier of water well drilling equipment in both domestic and international markets and also produces shallow oil drilling equipment primarily for the domestic market. Whereas 1983 was an excellent year for this unit, results for 1984 have been disappointing due largely to delayed placement of orders from Middle East customers, severe price competition and the dampening of international sales due to the strong U.S. dollar. Domestic demand for water well equipment, however, began steady acceleration early in the year. With the introduction of four new top head rigs, domestic sales in 1985 are expected to continue active. International sales for 1985 remain clouded by economic and political unrest in those parts of the world normally served by Speedstar.

Steel Products and Services

Results: Sales of $256 million were up $8 million over 1983 but margins were lower. As a result, this business suffered an operating loss of $2 million in 1984. Western Canada, which is heavily dependent on natural resource industries, continued to languish. Eastern Canada (especially Ontario and Quebec) showed signs of more rapid emergence from recession. Manitoba Rolling Mills regained sales and earnings momentum and again operated profitably.

Outlook: A more favorable business climate, helped by changes in Government in 1984, should prevail in 1985. Business should improve in 1985 with better margins and greater activity in industry which should translate into higher levels of order placement. DB-Sulzer expects both structural and hydraulic turbine businesses to improve markedly in 1985.

AMCA's operations across Canada provide construction/fabrication/erection services for a range of heavy industry, energy and natural resource customers.

Canadian operations, headquartered in Toronto, include: Eastern Canada (Toronto), Western Canada (Calgary), Manitoba Rolling Mills (Selkirk) and Dominion Bridge-Sulzer (Montreal). The operations consist of six fabricating facilities, a rolling mill, eight steel service centers and a partnership in Dominion Bridge-Sulzer. Plants produce a range of products including structural steel, plate and specialty products and products for the electric utility, communications, resource mining and handling, transportation and petroleum markets. Construction operations provide worldwide project management, erection, installation and turnkey services. Western Canada Division designs, engineers and constructs, under license, coal preparation and handling facilities.

Eastern Canada

While business throughout the Division was slow, there was a better business climate than in 1983, particularly in Ontario and Quebec. Increased capital expenditures in Ontario's automotive and, more recently, basic steel sectors proved beneficial to AMCA units there. Expansion of Quebec's aluminum industry accounted for some increased business activity but there was little new energy construction activity in either Quebec or Ontario. The Maritimes continued to suffer from the national recession plus major delays in offshore construction. 1985 is expected to show continued improvement in the economic climate in Ontario and Quebec which should result in improved profitability for Eastern Canada.

Western Canada

The structural steel fabricating facilities located in Alberta, Saskatchewan, Manitoba and British Columbia are in large part dependent upon the natural resource markets (oil and gas, mining, lumber) of Western Canada. Because of the worldwide uncertainty in energy markets, capital expenditures within these industries continued to be curbed and thus produced less activity, particularly in Alberta. Though changes in government policies have been announced and new investment has begun, these operations are not expected to return to normal in 1985. Responding to this reduced activity, operating units were restructured into more cost effective groups and a number of operations were closed or curtailed.

Manitoba Rolling Mills

MRM's sales and earnings have improved over the last two years. However, due to the excess capacity of North American and world steel producers, price levels remain depressed. Business strategies which emphasize penetration of special market niches have proven successful and will be continued in 1985. Continuing capital expenditures were made in 1984 to broaden the product line and retain the high level of efficiency required to be successful in the mini-mill business.

Dominion Bridge-Sulzer

Dominion Bridge-Sulzer, a joint venture with Sulzer Brothers Ltd., is headquartered in Montreal. During the year, a reorganization was effected resulting in each partner becoming more responsible for the portion of the business related to its expertise. AMCA has, therefore, assumed primary responsibility for the structural-mechanical and construction aspects of the business. Sulzer has become primarily responsible for nuclear and hydraulic power products. The venture continued to suffer losses in 1984 though improvement in the Quebec economy resulted in renewed activity on the structural side late in the year. AMCA expects improved results in 1985.

Dominion Bridge-Eastern Canada

Dominion Bridge-Western Canada

Manitoba Rolling Mills

Dominion Bridge-Sulzer*

*A non-consolidated joint venture

Profit Improvement

Productivity

Improving productivity while reducing costs continued to receive priority attention at all AMCA units during 1984 as results remained depressed. To achieve this end, AMCA made significant investments designed for both short and long-term improvements.

One of the most dynamic recent strides in industry is the use of the computer to aid in design and manufacturing (CAD/CAM). These systems make possible radical reductions in manufacturing engineering time while simultaneously improving production speed, uniformity and precision of machined parts. During the year CAD/CAM systems were installed at six Company locations. In 1985 five more units will receive installations and AMCA Buildings Division will install a new CAD engineering system at each of the Division's six profit centers.

At G&L Machine Tool Division and at other locations, the Company continued to invest in computer-directed machining cells and flexible manufacturing systems. Each installation has greatly improved productivity while reducing manufacturing costs.

At the Varco-Pruden plant in Missouri, a major expansion makes it possible for that profit center to manufacture complete pre-engineered buildings in response to rapidly rising demand from customers in the central United States.

Office productivity continued to improve with expansion of the corporate electronic communications network. All corporate and group offices plus 17 division offices are now in the network. At year-end a total of 45 locations throughout the U.S., Canada and Europe were connected along with a link to the international telex network.

At plants in Wisconsin, Iowa and Connecticut, computerized integrated manufacturing systems were introduced to improve materials and production control.

At the Winnipeg plant where structural steel is fabricated, fast and accurate drilling is an important element of every job. To enhance product quality while reducing the manufacturing cycle, a numerically-controlled drilling line has been installed.

Manitoba Rolling Mills, which this year installed equipment to capture and reuse heat formerly vented to the atmosphere, has a continuing program to upgrade and improve its process controls. Making such investments on a planned and continuing basis helps assure MRM's lead position among mini-mills in North America.

During 1984 Robb Engineering began a multi-million dollar consolidation of its two operations into one modern facility. The consolidation was completed in early 1985.

The Company established new manufacturing facilities in England to help HUSCO become an active supplier of hydraulic valves to customers in the United Kingdom and the EEC countries.

A total of some $28 million was invested in facilities and equipment during 1984, part of AMCA's continuing program to retain cost effective manufacturing operations throughout the Company.

Cost Reduction

Dedication to Company-wide cost improvement was the order of the day in 1984. Programs yielded significant savings and provided a substantial carryover to 1985. They were targeted to reduce overall operating costs by three percent, a goal that was exceeded. Similar results are forecast for 1985.

Several Company divisions instituted expanded value analysis programs in their efforts to reduce costs. These programs systematically analyze each component part of a product to determine if the function of that part can be performed in a more cost effective way and have proven to be highly effective in reducing manufacturing costs. Additional projects have been identified and scheduled for 1985.

Innovation

In today's marketplace the supplier offering best value through unique products and features has the edge. Recognizing this, many innovative concepts were introduced by AMCA units during 1984. A sampling of the more notable innovations includes:

- new CNC control developed by G&L Electronics for G&L machines and for outside customers;
- new G&L Electronics programmable industrial computer for overall control of flexible manufacturing systems;
- new Gilman flexible automatic assembly system;
- several new machining centers by G&L Machine Tool;
- successful introduction by G&L Machine Tool of "Cell" system which ties several transfer machines together into a flexible high production unit;
- engineering and design of new world class Clyde revolving mega-cranes with several unique features dealing with balance and rotation;
- successful introduction of newly developed Clyde linear winch for underwater pipe laying;
- new MENCK underwater hydraulic pile hammer (largest in the world);
- new Cherry-Burrell "bottom up" filling machines (fastest fill in the industry);
- new Cherry-Burrell slower fill machine (allowing entry into new dairy segments);
- four new Speedstar top head water drilling rigs;
- improved design of IMODCO counterweight articulated mooring system to meet harsh environment conditions;
- importing and marketing of excavators made in Japan under the Koehring name.

Research and Development

Helping AMCA units develop new products is a primary function of the Research & Technology Centre in Ottawa. While each unit develops its own products, the center provides solutions to manufacturing and application problems in such areas as:

- weldability of metals for specialized applications in offshore construction;
- field welding of replacement compaction roller pads;
- new welding techniques to improve product quality and production rates;
- specialized coating systems to protect products against the unique environments in which they will be used.

Investment

AMCA continued its commitment to consistently invest in its present facilities, equipment and systems. Such annual capital investments help assure AMCA's ability to compete effectively in the world marketplace. Over the last five years, capital investment has totaled $159 million.

Asset Management

Control of working capital continued to receive high priority at all operating units. As a result of a concerted effort by all concerned, operating working capital, as a percentage of the sales dollar, has been substantially reduced during the past decade.

People: The Most Important Asset

As the Recession Breaks

As noted elsewhere, while many AMCA units continued to cope with the after-effects of the recession, there were a number of areas of marked improvement throughout the Company. As a result, although the year-end work force of 16,000 was still greatly reduced from pre-recession levels of about 24,000 (including Giddings & Lewis), some additions had been made where improved booking levels demanded.

Labor Relations

Throughout the year, the Company's operating units continued to build amicable relations with union employees. This resulted in optimum contract settlements at all locations. In the United States, AMCA employees and their unions have accepted the need for restraint during the protracted recession. There has generally been recognition that fierce offshore competition jeopardizes job security. Resulting realism in bargaining enabled settlement of all 13 expiring contracts on terms which in every instance improved AMCA's competitive position and in many cases actually reduced operating costs.

Canadian employees and their unions have been somewhat less inclined to curb their requests. However, during late 1983 and all of 1984, there have been encouraging signs that employees are responding to the need for restraint. All eight Canadian contracts were settled at levels much lower than previously and well within Company objectives.

No work stoppages occurred at any AMCA plants in 1984. The Company has achieved a record of 67 consecutive agreements negotiated during the last three years without a strike.

One of AMCA's overriding objectives is to assure broad operational flexibility in all of its collective agreements in order to meet productivity goals in industries experiencing rapid change. The Company's forthright employee communications, coupled with consistent implementation of labor relations principles are expected to help in achieving Company goals in years ahead. In 1985, 18 plant agreements will expire – 11 in Canada, six in the U.S. and one in Scotland.

Construction agreements expired in each of Canada's provinces during 1984. AMCA, in concert with appropriate contractor associations, sought cost concessions from the building trades to assist in meeting inroads being made by non-union contractors. In several provinces a bargaining impasse was reached as a result of trade unions refusing to accept rollbacks. In areas where settlements have not been achieved, many projects are staffed by tradesmen working without a contract, permitting the employer to pay reduced wages and benefits. Generally, industry work stoppages have been infrequent and have had little effect on AMCA's construction work forces.

Training for AMCA's Future

Reflecting AMCA's commitment to management improvement, the Executive Development Program continued at Dartmouth College's Amos Tuck School of Business Administration. The fifth annual course was completed with 22 graduating. To date a total of 106 key employees have completed the intensive training program.

Home Grown Managers

Identification of promotable, high performance managers was strengthened with the introduction of corporate-wide performance appraisal and management assessment programs. Credentials of more than a thousand senior employees are in the Company's computerized data bank. The new performance and assessment program, coupled with existing biographical data, is a useful tool in identifying candidates for promotion and filling key positions.

During the year, 70 percent of significant promotions were from within the Company. This mix maintains the Company's ability to perpetuate AMCA's management philosophies while benefiting from the influence of new management techniques and experience gained from other companies by continuing to recruit select key managers from industry.

Health Care Cost Containment

The Company introduced a comprehensive health care plan in 1983 for all salaried and non-union employees in the United States to combat rapidly escalating medical costs. Under the comprehensive health care plan, benefits are unchanged and employees continue to be protected against financial disaster but the individual shares a percentage of the costs. During 1984, many union employees cooperated with the Company and similar plans were installed within the bargaining units. At present, over 85 percent of U.S. employees are covered by the comprehensive plan. An intensive health care cost awareness program was activated to apprise employees of the high cost of medical care. Ways and means to use alternative, but equally effective, health care sources to reduce waste were communicated to employees. It is estimated that the Company's health care costs were reduced by approximately 20 percent of the projected cost for 1984. Management will continue to emphasize cost containment through effective communications with employees during 1985.

Savings Investment Plan

The Company implemented a savings investment plan for U.S. salaried and non-union employees so employees can shelter income through Section 401(k) of the Internal Revenue Code. The plan allows employees to invest money in four separate funds, one of which includes investment in AMCA common stock. This plan, with its options, assists employees to save for their future.

A scanning electron microscope at AMCA's Research and Technology Centre in Ottawa makes it possible to examine crack and fracture surfaces as well as microstructures with an electron beam. Enlargement on the display allows the technician to examine the subject at higher magnifications and greater detail than previously possible.

Management's Discussion and Analysis of Financial Condition and Results of Operations

In October 1984, AMCA provided for losses related to the discontinuance of its consumer products business previously included in the Financial, Marketing and Licensing Services segment. In late 1983, AMCA provided for losses related to the discontinuance of certain oil field equipment and overhead traveling crane operations previously included in the Industrial Products segment and certain construction crane operations previously included in the Construction Products segment. The results of operations for all of the businesses discontinued during the past two years have been separately classified as discontinued operations in the Consolidated Statements of Operations (see Note 2 to the Consolidated Financial Statements for details). Accordingly, the following discussion and analysis deals with results from continuing operations only.

Results of Operations 1984-1983

Sales of $1,426 million increased 17 percent from $1,214 million in 1983. Results from continuing operations before income taxes improved from a loss of $43.2 million in 1983 to a loss of $11.4 million in 1984. Included in the results for 1984 is a $9.8 million refund of a surplus in the Company's Canadian pension funds. From 1944 through 1978, the Company funded (and recorded expense for) its Canadian pension plans on a conservative basis. Primarily as a result of this funding policy, a surplus began to accumulate in 1978 and no payments have been made since that year. As at January 1, 1984, the Company's actuaries determined that in view of the accumulated surplus, no contributions to the pension plans would be required for the foreseeable future. The amount refunded, which was determined by the Company's independent actuaries, was the maximum amount permitted to be refunded at the time under applicable law and was approved in April 1984 by the Pension Commission of the Province of Ontario. This amount, which is shown in Other Revenues in the Consolidated Statements of Operations, had previously been charged to expense and is excess to future funding requirements.

Results from continuing operations improved from a loss of $3.6 million in 1983 to income of $5.1 million in 1984. In 1983 the Company recorded tax benefits for Canadian operating losses as reductions of deferred income taxes while, in 1984, tax benefits of $8.7 million (which would have increased income from continuing operations accordingly) were not reflected in the accounts as there were no further deferred income taxes available in Canada.

In general, AMCA's construction products, industrial products and metal buildings businesses benefited from the continued general recovery in North America. Businesses dependent upon worldwide energy markets, primarily the engineering and Western Canadian steel fabrication operations, continued to perform poorly reflecting the continued weakness in these markets stemming primarily from lower natural resource prices. In addition, the strength of the U.S. dollar hurt the ability of the Company's U.S. operations to export and made imported products more price competitive.

AMCA ended the year with a backlog of $555 million, up from $538 million at December 31, 1983, as increases in the Industrial Products segment (primarily the aerospace and machine tool operations) more than offset decreases in the Steel Products and Construction Products segments. It should be noted that backlog decreased from $666 million at September 30, 1984 primarily as a result of the cancellation in December of a $55 million contract (which affected the Construction Products and Industrial Products segments) and decreases among the engineering and Western Canadian steel fabrication operations. This decrease resulted primarily from the weakness in worldwide energy markets which was aggravated by expectations of further declines in oil prices during the latter part of the year.

The major factors affecting the results of each segment were as follows:

Construction Products. Sales and operating profit increased by 29 percent and 208 percent, respectively. With the exception of MENCK pile-driving equipment operations, which were negatively impacted by delays in offshore construction projects resulting from unstable oil prices, all operations experienced improved results. Increased sales of compaction equipment in North America more than offset low activity in the Middle and Far East. Sales of cranes and excavators increased significantly from the very low level of 1983 but remained well below historical levels and margins continued to be affected by severe discounting resulting from intense competition. Sales and earnings of the woodlands equipment business increased significantly reflecting improved activity in the lumber and paper industries in Western Canada.

Engineering and Construction Services. Sales increased 33 percent resulting in an operating profit of $20.9 million compared with an operating loss of $1.8 million in 1983. Metal building sales and operating profit improved significantly over 1983 due to improved market conditions and the acquisition of Stran and Quonset in late 1983. Results of remaining businesses were improved from those of 1983 but continued to be negatively affected by the continued weakness of the worldwide energy and petrochemical industries and minimal activity in the offshore petroleum and marine fabricating sectors.

Industrial Products. Sales of $486 million and operating profit of $27.3 million each increased nine percent from 1983 levels reflecting general improvement in capital goods markets and particularly strong aerospace and automotive industries. The Giddings & Lewis machine tool operations experienced significant increases in sales and bookings from the low levels of 1983 but profitability did not increase accordingly as pricing and margins were affected by the competitive environment. The fluid power and processing and packaging machinery operations all benefited from the general recovery while results of the businesses dependent upon the energy sector (offshore cranes and well drilling equipment) worsened from those of 1983 as a result of worldwide market weakness.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Steel Products and Services. Sales of $256 million were up three percent over 1983 but lower margins resulted in an operating loss of $1.9 million compared with a loss of $521,000 in 1983. The Western Canada steel fabrication operations, which are heavily dependent upon natural resource markets, experienced lower sales and significantly larger losses than in 1983. Eastern Canadian operations performed on a comparable basis with 1983 and began to show improvement toward the end of the year. Sales and operating profit at Manitoba Rolling Mills improved significantly over 1983 but depressed prices still prevail as a result of the excess capacity in the steel industry.

Financial, Marketing and Licensing Services. Operating profit after eliminations declined to $2.8 million from $10.1 million in 1983, primarily as a result of reduced international product financing and trading activity as the strength of the U.S. dollar and the sluggish economic recovery of the international sector combined to restrict export sales from North America. Results were also impacted by an equity investment by AMCA Netherlands B.V. in its U.S. subsidiary at the end of 1983 which reduced the cash available for lending by the international finance company during 1984.

Equity in pre-tax earnings of unconsolidated subsidiaries increased from $1.8 million in 1983 to $4.6 million in 1984 as higher earnings at the U.S. finance subsidiary, related to improved construction equipment sales, more than offset the writeoff of the Company's interest in Halifax Industries Ltd., a Nova Scotia shipyard.

Selling, general and administrative expenses increased by six percent from $226 million in 1983 to $239 million but declined as a percentage of sales from 18.6 to 16.8 percent. The Company's cost reduction programs are generating savings which have reduced the impact of the increased selling expenses associated with the significantly higher sales level and have helped offset one-time expenses which were incurred in conjunction with the consolidation and retrenchment of certain operations other than those discontinued. Similar activities were carried out during 1983.

Net interest expense increased eight percent to $42.8 million from $39.6 million in 1983. The impact of a $60 million preferred share offering in December 1983 was more than offset by increased borrowings for most of 1984 and increased interest rates during most of the second half. A $155 million preferred share offering in November 1984 had the effect of reducing interest expense by approximately $2.5 million.

The foreign currency transaction gain of $3.5 million in 1984 resulted primarily from the conversion of the proceeds from the 1983 Deutsche Mark Bond issue to U.S. dollars at favorable exchange rates when the mark strengthened during the early part of the year and a decline in the U.S. dollar value of the Deutsche Mark denominated debt as the U.S. dollar subsequently strengthened. The Company eliminated further exchange exposure related to these bonds by purchasing and investing DM 100 million at rates comparable to those of the bonds.

Income taxes recoverable ($16.5 million on a loss from continuing operations before income taxes of $11.4 million) resulted from: 1) losses in tax jurisdictions with higher tax rates (United States), the benefits for which were recorded as reductions of deferred income taxes, partially offset by earnings in taxing jurisdictions with lower tax rates, and 2) adjustments of prior years' excess accruals. As noted above, no tax benefits were recorded on Canadian losses as there were no available deferred tax credits in Canada.

Results of Operations 1983-1982

Sales in 1983 of $1,214 million decreased two percent from $1,239 million in 1982 with a loss from continuing operations sustained amounting to $3.6 million compared to income in 1982 of $47.8 million. Giddings & Lewis was acquired effective August 1, 1982. Accordingly, a full year's results of operations for this business are included in 1983 while only the five months (from the date of acquisition) are included in 1982. If Giddings & Lewis had been acquired as of January 1, 1982, the unaudited pro forma consolidated sales and income from continuing operations of AMCA would have been $1,435 million and $50.8 million, respectively, in 1982. Sales in 1983, on a pro forma basis, reflect a decrease of 15 percent.

Whereas AMCA entered 1982 with a record backlog of $788 million booked substantially at pre-recession price levels, the flow of new orders decreased throughout 1982 as a result of poor worldwide economic conditions. With the large and profitable backlog going into 1982, the impact of recession on results was not felt until the last half of the year. AMCA ended 1982 with a lower backlog of $569 million which contained work booked during the recession at decreased profit margins. This impacted each of AMCA's business segments in 1983 and generally resulted in reduced sales and operating profits.

The major factors affecting sales and operating profit by segment were as follows:

Construction Products. Sales and operating profit declined eight percent and 71 percent, respectively. Cranes and excavators continued to suffer as worldwide construction stagnated. Special construction equipment, including material handling machines, also reflected the softness in the industry. Compaction equipment sales fell off as the world market dwindled due largely to weakening oil prices among OPEC nations and the mounting debt burden in Latin America.

Engineering and Construction Services. Sales dropped 16 percent resulting in an operating loss of $1.8 million compared with an operating profit of $30.2 million in 1982. Results were severely impacted by the lack of significant follow-on work to the Baltimore tunnel tube project and the continued weakness of the worldwide energy and petrochemical industries. Despite generally weak results in this segment, metal building sales and operating profit improved significantly over the prior years.

Industrial Products. Sales of $446.7 million increased 25 percent while operating profit of $25.1 million declined by $13.6 million. A full year's results for Giddings & Lewis are included in 1983 versus five months in 1982. If Giddings & Lewis had been acquired as of January 1, 1982, sales and operating profits for this segment in 1983 would have decreased 20 percent and 65 percent, respectively. Margins and profits remained generally depressed due to continuing price competition, from domestic and foreign sources, for the sharply reduced available business. A step-up in defense-oriented projects and a pickup in the automotive and housing sectors had a beneficial effect upon industrial product operations.

Steel Products and Services. Sales of $247.7 million were down 13 percent from 1982. The combination of reduced sales and slim profit margins resulted in a loss of $521,000 compared to operating profit of $18.3 million in 1982. Bookings and margins in fabrication and construction operations continued to fall throughout the year due to reduced capital spending across Canada.

Financial, Marketing and Licensing Services. Operating profit declined from $19.5 million in 1982 to $10.1 million in 1983, basically due to reduced product financing and trading activity stemming from the poor worldwide economic conditions.

AMCA closed the year with a backlog of $538 million, with significant reductions in the longer lead-time steel fabrication and construction operations in Canada partially offset by increased backlog in industrial products and certain engineering and construction operations which respond more quickly to upturns in the business cycle.

Equity in pre-tax earnings of unconsolidated subsidiaries in 1983 decreased 77 percent to $1.8 million from $8.1 million in 1982, primarily a result of lower earnings from the U.S. finance subsidiary caused by a lower volume of construction equipment sales.

Selling, general and administrative expenses were $226 million in 1983 compared with $218 million in 1982. Savings associated with cost reduction activities offset the additional expense of including Giddings & Lewis for 12 months in 1983 versus five months in 1982 and one-time expenses associated with the restructuring of operations other than those discontinued.

Depreciation and amortization increased by 21 percent in 1983 compared to 1982 and totaled $36.5 million compared to $30.2 million primarily resulting from the acquisition of Giddings & Lewis in the third quarter of 1982.

Net interest expense in 1983 decreased ten percent from 1982 due to the effect of lower interest rates albeit on higher levels of outstanding debt.

AMCA had taxes recoverable of $39.6 million on the loss from continuing operations, before income tax recoveries, of $43.2 million for 1983. This high rate of recovery was the result of losses in taxing jurisdictions with higher tax rates (United States and Canada), partially offset by continued earnings in tax jurisdictions with lower tax rates.

Liquidity and Capital Resources

The ratio of current assets to current liabilities improved from 1.6:1 at December 31, 1983 to 2:1 at December 31, 1984 as working capital increased from $246 million to $329 million primarily in support of the increased volume experienced during 1984 and anticipated further sales increases in 1985. The Company met its cash needs (including the above-mentioned working capital build-up, the scheduled repayment of a $30 million debenture issue, dividend payments of $41 million and the $32 million investment in the Deutsche Mark hedge described earlier) primarily from available cash on hand, the $155 million preferred share issue (the proceeds from which were used to repay short-term borrowings in Canada) and a $50 million retractable debenture issue.

The ratio of equity to long-term debt improved from 1.2:1 at December 31, 1983 to 1.3:1 at December 31, 1984. The proceeds from the preferred share issue in November more than offset the reduction in retained earnings resulting from dividend payments and the reduction in equity resulting from unrealized currency translation losses.

At December 31, 1984, AMCA had available approximately $344 million of unused credit facilities ($134 million of demand bank lines and $210 million of revolving lines, in each case available upon demand subject to conditions, all with interest calculated at prevailing market rates), compared to $328 million at the end of 1983. In addition, the Company has unconsolidated subsidiaries which finance the sale of Company products to distributors and end users and which had available to them approximately $130 million of unused credit facilities. If these subsidiaries had been consolidated at December 31, 1984, AMCA's working capital would have been higher by $60 million, resulting in a ratio of current assets to current liabilities of 1.9:1, and its long-term debt would have increased by $46 million, resulting in an equity to long-term debt ratio of 1.2:1. Additional factors bearing on the Company's liquidity include: 1) the existence of $58 million of estimated realizable value of assets of discontinued operations which the Company expects to convert to cash, and 2) net operating loss carryforwards for tax purposes of $240 million in the U.S. and $42 million in Canada, meaning the Company will not pay any taxes on taxable income up to those amounts in those jurisdictions. AMCA believes that its unused credit facilities, together with the factors noted above, are adequate for the foreseeable future and provide the necessary flexibility for financing on a short- or long-term basis depending upon market conditions. Notwithstanding these conditions, and to conserve cash in order to better prepare for the expected improvement in activity levels, the Board of Directors chose not to declare a dividend on the common shares for the quarter ending March 31, 1985.

The Company plans to invest approximately $50 million in new plant and equipment in 1985. These investments will be financed from available cash on hand, from cash generated from operations, or from available borrowing capacity, as appropriate at the time. There were no material commitments for capital expenditures as of December 31, 1984.

Ten Year Statistical Summary

	1984	1983
Operating Results ($ Millions)		
Sales	**1,426**	1,214
Income (loss) from continuing operations before income taxes	**(11)**	(43)
Income taxes (benefit)	**(16)**	(39)
Income (loss) from continuing operations	**5**	(4)
Discontinued operations	**(7)**	(35)
Net income (loss)	**(2)**	(39)
Dividends	**41**	33
Income retained (utilized)	**(43)**	(72)
Financial Condition and Ratios ($ Millions)		
Working capital	**329**	246
Working capital from continuing operations	**19**	(6)
Total assets	**1,317**	1,250
Net fixed assets	**289**	300
Depreciation	**26**	25
Additions to fixed assets	**28**	22
Long-term debt	**412**	380
Shareholders' equity	**539**	443
Return on average shareholders' equity (%)	**–**	–
Net income on sales (%)	**–**	–
Per Common Share Data ($)		
Sales	**42.82**	36.60
Income (loss) from continuing operations	**(0.07)**	(0.11)
Discontinued operations	**(0.20)**	(1.08)
Net income (loss)	**(0.27)**	(1.19)
Common dividends	**1.00**	1.00
Income retained (utilized)	**(1.27)**	(2.18)
Working capital from continuing operations	**0.57**	(0.18)
Book value per common share	**9.71**	11.51
Shareholders and Employees		
Number of common shareholders	**5,362**	5,809
Number of employees	**16,226**	15,408
Number of common shares outstanding (thousands)	**33,342**	33,226

Data for all years have been restated to reflect the separate classification of the results of operations of the discontinued businesses (See Note 2 to the Consolidated Financial Statements).

Per common share data, except book value, have been calculated based upon the weighted average shares outstanding during each year.

Income (loss) from continuing operations and net income (loss) per common share are calculated by deducting dividends applicable to preferred shares from the respective amounts and dividing the result by the weighted average common shares outstanding during each year. Book value per common share has been calculated by deducting preferred shares from shareholders' equity and dividing the result by the common shares outstanding at each year end.

The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada. If accounting principles generally accepted in the United States were applied, the only change in the above numbers would be that $60 million of Redeemable Preferred Shares Series 1 issued in 1983 would not be classified in the shareholders' equity caption but would be shown separately. See Note 16 to the Consolidated Financial Statements.

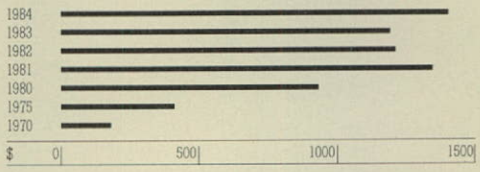
The above data reflect the acquisition of Giddings & Lewis, Inc., effective August 1, 1982; the Koehring Company, effective September 1, 1980, and Amtel, Inc., effective December, 1977.

*For purposes of this summary includes 4,474 at Giddings & Lewis.

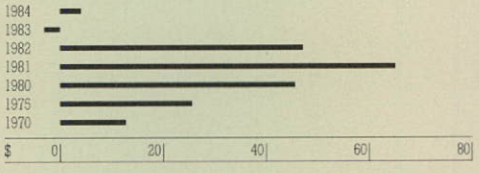
1982	1981	1980	1979	1978	1977	1976	1975
U.S. Dollars						Canadian Dollars	
1,239	1,373	944	868	823	521	456	430
44	110	69	79	66	45	43	39
(4)	44	23	24	31	15	18	13
48	66	46	55	35	30	25	26
–	4	3	(2)	1	3	4	2
48	70	49	53	36	33	29	28
29	27	23	17	11	9	10	9
19	43	26	36	25	24	19	19
254	346	235	263	171	107	104	88
65	81	56	51	48	40	35	35
1,374	1,212	970	729	602	551	361	327
326	198	181	106	124	128	108	102
23	19	14	13	13	9	8	7
30	51	28	13	18	9	16	40
340	297	163	115	139	104	31	32
462	368	334	309	198	181	161	142
11.5	20.0	15.2	20.9	19.0	19.3	19.0	18.2
3.9	5.1	5.2	6.1	4.4	6.3	6.4	6.5
43.47	51.10	35.22	37.22	38.59	24.50	21.46	20.28
1.68	2.45	1.72	2.35	1.64	1.41	1.17	1.24
–	0.16	0.10	(0.06)	0.05	0.14	0.19	0.10
1.68	2.61	1.82	2.29	1.69	1.55	1.36	1.34
1.00	1.00	0.85	0.71	0.51	0.44	0.49	0.43
0.67	1.60	0.97	1.58	1.18	1.11	0.87	0.92
2.29	3.02	2.07	2.19	2.25	1.88	1.65	1.66
14.06	13.70	12.43	11.61	9.28	8.51	7.58	6.74
6,766	5,733	5,810	4,397	3,859	3,835	3,688	3,504
16,748	21,779*	16,235	13,336	13,595	8,995	10,313	11,166
32,887	26,891	26,853	26,630	21,329	21,268	21,250	21,216

Record of Growth

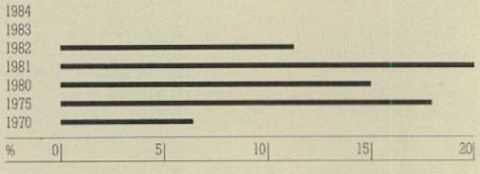
Sales
(In Millions)



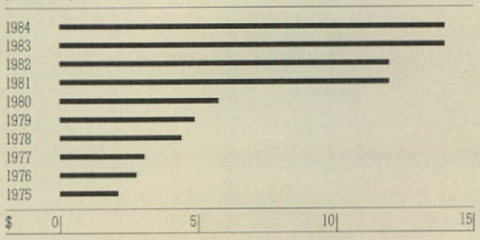
Income from Continuing Operations
(In Millions)



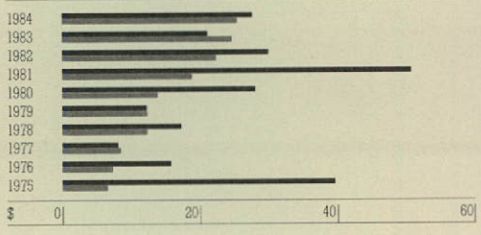
Return on Average Common Shareholders' Equity (%)



Research and Development Expenditures for Products, Processes and Systems
(In Millions)



Capital
■ Expenditure
■ Depreciation
(In Millions)



Consolidated Statements of Operations

Years ended December 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)

	1984	(Restated – Note 2) 1983	1982
Revenues			
Sales	**$1,425,783**	$1,214,382	$1,239,050
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (Note 5)	**4,629**	1,831	8,133
Other (Note 11)	**9,807**	–	–
	1,440,219	1,216,213	1,247,183
Costs and Expenses			
Cost of sales	**1,137,137**	957,351	912,402
Selling, general and administrative expenses	**238,869**	225,598	218,313
Depreciation and amortization	**36,349**	36,523	30,160
Interest – net (Note 9)	**42,782**	39,575	44,061
Foreign currency transaction (gain) loss	**(3,471)**	376	(1,150)
	1,451,666	1,259,423	1,203,786
Income (Loss) from Continuing Operations before Income Taxes	**(11,447)**	(43,210)	43,397
Income Tax Benefit (Note 4)	**(16,514)**	(39,605)	(4,396)
Income (Loss) from Continuing Operations	**5,067**	(3,605)	47,793
Discontinued Operations (Note 2)			
Income (loss) from operations (less income tax benefit of $2,627 in 1984 and $12,126 in 1983 and income tax provision of $46 in 1982)	**(3,162)**	(13,089)	49
Loss on disposal (less income tax benefit of $3,157 in 1984 and $20,400 in 1983)	**(3,560)**	(22,600)	–
	(6,722)	(35,689)	49
Net Income (Loss)	**$ (1,655)**	$ (39,294)	$ 47,842
Earnings (Loss) Per Common Share (Note 1)			
Continuing operations	**$(.07)**	$ (.11)	$1.68
Discontinued operations	**(.20)**	(1.08)	–
Net Income (Loss)	**$(.27)**	$(1.19)	$1.68

Consolidated Statements of Retained Earnings

Years ended December 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)

	1984	1983	1982
Balance at Beginning of Year	**$243,368**	$316,916	$298,786
Net income (loss)	**(1,655)**	(39,294)	47,842
	241,713	277,622	346,628
Dividends			
Common shares (per share – $1.00)	**33,298**	33,184	28,506
8.84% Preferred shares – Series 1	**5,408**	–	–
9.5% Preferred shares – Series 2	**1,916**	–	–
Expenses related to issue of preferred and common shares net of income taxes of $859 in 1983 and $1,034 in 1982 (Note 10)	**3,255**	1,070	1,206
Balance at End of Year	**$197,836**	$243,368	$316,916

See accompanying notes.

Consolidated Statements of Changes in Financial Position

Years ended December 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)

	1984	1983 (Restated – Note 2)	1982 (Restated – Note 2)
Sources of Working Capital			
Continuing operations			
Income (loss)	**$ 5,067**	$ (3,605)	$ 47,793
Add (deduct) items not affecting working capital			
Depreciation	**26,468**	25,418	22,895
Amortization	**9,881**	11,105	7,265
Decrease in deferred income taxes (noncurrent)	**(22,923)**	(41,273)	(9,608)
Equity in net (income) loss of unconsolidated subsidiaries and affiliates	**130**	819	(2,973)
Other	**343**	1,634	19
Working capital provided from (used by) continuing operations	**18,966**	(5,902)	65,391
Working capital provided from (used by) discontinued operations	**(9,751)**	(57,648)	3,650
Proceeds from long-term debt	**92,300**	122,115	247,000
Proceeds from sale of assets, net of working capital of $1,807 in 1984 and $2,452 in 1983	**5,924**	4,606	9,919
Issue of share capital, net of expenses	**153,104**	61,721	83,805
Increase in deferred income taxes	**–**	7,863	17,809
Other	**(3,934)**	8,892	3,766
Total working capital provided	**256,609**	141,647	431,340
Uses of Working Capital			
Acquisition of net noncurrent assets of Giddings & Lewis	**–**	–	217,794
Investments in and advances to unconsolidated subsidiaries and affiliates	**851**	1,625	13,572
Purchase of fixed assets	**28,259**	22,358	29,858
Reductions of long-term debt	**52,570**	82,685	216,936
Dividends	**40,622**	33,184	28,506
Long-term investment	**31,841**	–	–
Increase in other assets	**11,788**	7,072	11,015
Adjustment from translation of foreign currency	**7,562**	2,934	5,417
Total working capital used	**173,493**	149,858	523,098
Increase (decrease) in working capital	**$ 83,116**	$ (8,211)	$ (91,758)
Increase (Decrease) in Working Capital			
Cash and short-term deposits	**$ (52,937)**	$ 67,648	$(126,823)
Accounts and notes receivable	**52,148**	(88,185)	(39,517)
Inventories	**(43,924)**	(73,605)	48,020
Net assets of discontinued operations	**58,147**	–	–
Other current assets	**(1,044)**	427	6,484
Short-term borrowings	**(6,889)**	103,119	(53,735)
Accounts payable and accrued liabilities	**33,107**	(9,249)	18,840
Customer advances	**7,441**	11,414	(629)
Income taxes	**3,774**	8,223	50,707
Current installments on long-term debt	**33,293**	(28,003)	4,895
	$ 83,116	$ (8,211)	$ (91,758)

See accompanying notes.

Consolidated Statements of Financial Position

December 31, 1984 and 1983
(In thousands of U.S. dollars)

	1984	1983
Assets		
Current assets		
Cash and short-term deposits	**$ 64,489**	$ 117,426
Accounts and notes receivable less allowance for doubtful accounts – $15,450 (1983 – $14,504) (Note 1)	**201,624**	149,476
Inventories (Note 6)	**323,279**	367,203
Estimated realizable value of net assets of discontinued operations (Note 2)	**58,147**	–
Other current assets	**15,019**	16,063
Total current assets	**662,558**	650,168
Long-term investment (Note 8)	**31,841**	–
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	**71,593**	71,997
Fixed assets (Note 7)	**288,917**	299,857
Patents and intangibles (Note 1)	**52,775**	57,920
Goodwill (Note 1)	**124,033**	124,329
Other assets, including deferred income taxes of $47,639 (1983 – $2,197) (Note 4)	**85,030**	45,826
	$1,316,747	$1,250,097
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 8)	**$ 58,317**	$ 51,428
Accounts payable and accrued liabilities	**207,558**	240,665
Customer advances	**59,638**	67,079
Income taxes		
Current	**480**	2,526
Deferred	**1,532**	3,260
Current installments on long-term debt	**5,927**	39,220
Total current liabilities	**333,452**	404,178
Long-term debt (Note 8)	**412,071**	380,035
Deferred liabilities	**31,809**	23,228
	777,332	807,441
Shareholders' equity (Note 10)		
Preferred shares – Series 1 Issued – 3,000,000 shares	**60,270**	60,270
Convertible preferred shares – Series 2 Issued – 8,165,000 shares	**155,278**	–
Common shares Issued – 33,341,827 shares (1983 – 33,226,327)	**182,815**	181,734
Retained earnings	**197,836**	243,368
	596,199	485,372
Equity adjustment from foreign currency translation (Note 1)	**(56,784)**	(42,716)
Total shareholders' equity	**539,415**	442,656
	$1,316,747	$1,250,097

On behalf of the Board
Kenneth S. Barclay, Director
Dalton D. Ruffin, Director

See accompanying notes.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)

1. Summary of Significant Accounting Policies

General. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. These accounting principles are in conformity with accounting principles generally accepted in the United States except as indicated in Note 16.

Consolidation. All subsidiary companies except the wholly-owned finance subsidiaries, AMCA International Finance Corporation (AIFC), formerly Koehring Finance Corporation, and AMCA International Finance Limited (AIFL), are consolidated and all significant intercompany accounts and transactions between consolidated companies have been eliminated. The investments in AIFC, AIFL, other joint ventures and affiliated companies owned 20% to 50% are recorded at equity in the underlying net assets and the applicable years' earnings or losses are included in consolidated income.

Construction Contracts. For financial statement purposes, income on substantially all construction contracts is recognized on the percentage-of-completion basis; provision is made for the entire amount of expected losses, if any, in the period in which such losses are first determinable. Included in accounts receivable are unbilled receivables related to these contracts of $36,429 (1983 – $23,389).

Inventories. Work-in-process related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage-of-completion of individual contracts. Other inventories are stated at the lower of cost (average or first-in, first-out) or net realizable value.

Fixed Assets. Property, plant and equipment are carried at cost including interest incurred during the construction period. Major renewals and betterments are capitalized; maintenance and repairs are expensed as incurred. Cost of property sold or otherwise disposed of and related accumulated depreciation are removed from the accounts at the time of disposal and any resulting gain or loss is included in income.

Depreciation of plant and equipment is determined principally on a straight-line or unit-of-production basis over the estimated useful lives of the assets.

Goodwill. Goodwill is amortized using the straight-line method over a period not exceeding 40 years. Accumulated amortization was $14,807 and $11,571 at December 31, 1984 and 1983, respectively.

Patents and Intangibles. Patents and other intangible assets are carried at cost and amortized over their remaining economic lives which range from six to 40 years. Accumulated amortization was $18,003 and $12,033 at December 31, 1984 and 1983, respectively.

Income Taxes. Income taxes have not been provided on undistributed earnings of foreign subsidiaries since management expects such earnings to be permanently reinvested in those subsidiaries. At December 31, 1984 and 1983, approximately $78,000 and $100,000, respectively, of such earnings, if distributed as dividends, would be subject to income taxes aggregating approximately $10,500 and $23,000, respectively. Any additional undistributed earnings would not be subject to income taxes if distributed as dividends.

Investment tax credits (1984 – $1,039; 1983 – $824; 1982 – $2,600) are applied to reduce the provision for income taxes in the year in which the related assets are placed in service.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Foreign Currency Translation. All assets and liabilities are translated into U.S. dollars using current exchange rates and income statement items are translated using weighted average exchange rates for the year. The translation adjustment is included as a component of shareholders' equity whereas gains and losses on foreign currency transactions are included in income except for those related to long-term monetary assets or liabilities which are deferred and amortized to income over the remaining life of the monetary item.

The following table shows the changes in the equity adjustment from foreign currency translation for the years ended December 31, 1984, 1983 and 1982:

	1984	1983	1982
Balance at beginning of year	**$42,716**	$33,016	$23,699
Net effect of currency translation adjustments	**14,068**	9,700	9,317
Balance at end of year	**$56,784**	$42,716	$33,016

Earnings Per Common Share. Earnings per common share are calculated by deducting dividends applicable to preferred shares from net income and dividing the result by the weighted average shares outstanding during the year (1984 – 33,298,368 shares; 1983 – 33,183,857 shares; 1982 – 28,506,136 shares). The exercise of outstanding stock options and the conversion of convertible preferred shares would not reduce reported earnings per common share.

2. Discontinued Operations

In October 1984, the Company provided for losses related to the discontinuance of its consumer products business previously included in the Financial, Marketing and Licensing Services segment. As a result of this decision, a charge of $3,560 net of income taxes of $3,157 was recorded.

In late 1983, the Company provided for losses related to the discontinuance of certain businesses. These businesses included oil field equipment and certain overhead traveling crane operations previously included in the Industrial Products segment and certain construction crane operations previously included in the Construction Products segment. As a result of this discontinuance, a charge of $22,600 net of income taxes of $20,400 was recorded. During 1984 substantially all of these businesses were disposed of or liquidated with no additional gains or losses.

The results of operations for these businesses have been separately classified as discontinued operations in the consolidated statements of operations.

Revenues of the discontinued businesses for the years ended December 31, 1984, 1983 and 1982 were $58,938, $85,666, and $218,610, respectively. These restatements do not affect net income as previously reported.

In addition, in December 1984, following an extended study, the Company decided to consolidate its hydraulic excavator product line into a more modern plant and as a result decided to close a Koehring manufacturing facility. Costs associated with this closedown approximated $12,000 and were offset by reserves recorded at the time of the Koehring acquisition. The Company anticipates that proceeds from the sale of assets will offset out-of-pocket costs in connection with this consolidation and further expects to achieve significant cost reduction through improved manufacturing efficiencies.

The estimated realizable value of the net assets of discontinued operations at December 31, 1984 aggregate $58,147 and are shown separately in the consolidated statement of financial position. This amount consists of $31,654 related to the consumer products business, $10,501 related to the businesses discontinued in 1983 and $15,992 related to the shutdown of various manufacturing facilities. Included in the total are $13,491 of fixed assets expected to be sold during 1985.

The total assets and total liabilities of the business discontinued in 1984 were $50,421 and $11,198, respectively, at December 31, 1983.

The liabilities of the businesses discontinued in 1983 and the provision for loss on disposal exceeded the assets by $17,599, which amount was included in accounts payable and accrued liabilities in the consolidated statement of financial position at December 31, 1983.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

3. Acquisition

Effective August 1, 1982, the common stock of Giddings & Lewis, Inc., a major United States manufacturer of machine tools and industrial products, was acquired for approximately $310,000 cash.

This acquisition has been accounted for as a purchase and results of operations from the date of acquisition have been included in the consolidated statements of operations. The assets and liabilities acquired have been stated at fair values and the excess of the purchase price over these fair values was recorded as goodwill which amounted to $73,439.

If the above acquisition had been made at January 1, 1982, the unaudited pro forma consolidated net sales and income from continuing operations of the Company would have been $1,435,479 and $50,846 in 1982, respectively. The unaudited pro forma earnings per share from continuing operations would have been $1.78 in 1982.

4. Income Taxes

The provision (benefit) for income taxes on income (loss) from continuing operations is comprised of the following:

	1984	1983	1982
Current			
Canada	**$ (155)**	$ (372)	$ 514
United States	**1,000**	500	7,409
Other countries	**8,430**	12,289	8,629
	9,275	12,417	16,552
Deferred			
Canada	**(358)**	(14,109)	(11,886)
United States	**(23,877)**	(34,522)	(17,066)
Other countries	**(1,554)**	(3,391)	8,004
	(25,789)	(52,022)	(20,948)
	$(16,514)	$(39,605)	$ (4,396)

The related income (loss) from continuing operations is as follows:

	1984	1983	1982
Canada	**$(20,630)**	$(29,715)	$(29,569)
United States	**(42,856)**	(71,408)	(10,797)
Other countries	**52,039**	57,913	83,763
	$(11,447)	$(43,210)	$ 43,397

The deferred income tax benefit from continuing operations represents the tax effect of transactions reported in different periods for financial and income tax reporting purposes, and resulted from the following timing differences:

	1984	1983	1982
Depreciation	**$ –**	$ –	$ (3,514)
Estimated costs	**–**	–	(3,256)
Construction contracts	**(1,507)**	(1,106)	(4,767)
Installment sales	**–**	–	(5,412)
Other	**(405)**	(2,004)	(3,999)
Reduction of deferred income taxes to reflect benefit for U.S. losses and, in 1983, Canadian losses	**(23,877)**	(48,912)	–
	$(25,789)	$(52,022)	$(20,948)

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

4. Income Taxes (Continued)

The difference between the Company's effective income tax rate and the Canadian and United States statutory rate on income (loss) from continuing operations is reconciled below:

	1984	1983	1982
Canadian and U.S. statutory rate	**(46.0)%**	(46.0)%	46.0%
State and provincial income taxes	**4.7**	(.6)	2.7
Investment tax credit	**(8.8)**	(1.9)	(6.1)
Foreign taxes at less than statutory rate	**(143.8)**	(43.4)	(48.0)
Adjustment of prior years' excess accruals	**(24.9)**	–	–
Canadian operating losses without tax benefit	**76.3**	–	–
Other	**(1.8)**	.2	(4.7)
	(144.3)%	(91.7)%	(10.1)%

At December 31, 1984, for income tax purposes, the Company has U.S. net operating loss carry-forwards of approximately $240,000 which expire in 1998 and 1999 and Canadian net operating loss carry-forwards of approximately $42,000 which expire principally in 1987, 1990 and 1991. For book purposes, the benefits for U.S. operating losses from continuing operations have been reflected in the consolidated statements of financial position as reductions of deferred income taxes. Tax benefits for Canadian operating losses in 1983 were treated in a similar manner while tax benefits of $8,737 on 1984 operating losses have not been reflected in the accounts as there were no further deferred income taxes available. The net debit related to deferred income taxes included in the Consolidated Statements of Financial Position reflects tax benefits on losses related to discontinued operations and differences, for financial reporting and tax purposes, in the basis of certain assets and liabilities arising from purchase accounting, in excess of deferred income tax credits.

5. Investments In and Advances To Unconsolidated Subsidiaries and Affiliates

Investments totalled $56,249 and $55,672 and advances totalled $15,344 and $16,325 at December 31, 1984 and 1983, respectively.

Included in the caption "Investments in and advances to unconsolidated subsidiaries and affiliates" in the consolidated statements of financial position are investments in two wholly-owned finance subsidiaries, AIFC and AIFL.

Condensed, combined statements of financial position and operations of AIFC and AIFL are as follows:

Finance Subsidiaries
Statements of Financial Position

	December 31,	
	1984	1983
Assets		
Cash	**$ 1,713**	$ 2,523
Receivables	**219,691**	261,666
Other assets	**4,874**	6,065
Total assets	**$226,278**	$270,254
Liabilities and shareholder's equity		
Short-term debt	**$109,131**	$158,036
Accounts payable and accrued liabilities	**6,751**	1,689
Long-term debt	**46,160**	50,484
	162,042	210,209
Shareholder's equity (including subordinated notes of $10,874 and $11,277 at December 31, 1984 and 1983, respectively)	**64,236**	60,045
Total liabilities and shareholder's equity	**$226,278**	$270,254

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

5. Investments In and Advances To Unconsolidated Subsidiaries and Affiliates (Continued)

Statements of Operations

	1984	1983	1982
Interest and finance income			
Affiliated companies	**$25,205**	$10,055	$15,774
Other	**10,129**	14,019	17,543
	35,334	24,074	33,317
Expenses			
Interest	**23,037**	15,818	20,801
Other	**3,419**	2,732	2,501
	26,456	18,550	23,302
Income before income taxes and extraordinary item	**8,878**	5,524	10,015
Income taxes	**4,262**	2,652	4,818
Income before extraordinary item	**4,616**	2,872	5,197
Gain on extinguishment of debt, net of income taxes of $408	**443**	–	–
Net income	**$ 5,059**	$ 2,872	$ 5,197

AIFC and AIFL are engaged in financing the sale of Company products to distributors and end users. With respect to AIFC, the Company has agreed to repurchase any contracts that become in default and to pay finance charges to AIFC at such rates as will result in AIFC's annual net earnings before interest expense and income taxes being equal to 150% of interest expense of AIFC for such fiscal year. With respect to AIFL, the Company has agreed to repurchase any receivables or contracts that become in default and to pay finance charges to AIFL at a mutually agreeable rate.

6. Inventories

	1984	1983
Contract work-in-process	**$ 28,976**	$ 44,897
Steel and other supplies	**125,158**	120,051
Work-in-process	**71,139**	78,747
Finished products	**98,006**	123,508
	$323,279	$367,203

7. Fixed Assets

	Cost	Accumulated depreciation and amortization	Net
December 31, 1984			
Land	**$ 9,764**	**$ –**	**$ 9,764**
Plant	**132,056**	**36,810**	**95,246**
Machinery and equipment	**269,660**	**99,915**	**169,745**
Property under capital leases	**6,814**	**2,576**	**4,238**
Construction in progress	**9,924**	**–**	**9,924**
	$428,218	**$139,301**	**$288,917**
December 31, 1983			
Land	$ 10,100	$ –	$ 10,100
Plant	127,561	34,908	92,653
Machinery and equipment	277,132	95,534	181,598
Property under capital leases	12,130	3,621	8,509
Construction in progress	6,997	–	6,997
	$433,920	$134,063	$299,857

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

8. Debt

Short-Term

Short-term borrowings are transacted either through commercial banks using overdrafts or promissory notes or through the issuance of commercial paper. Information on the Company's short-term borrowings for the three years ended December 31, 1984, 1983 and 1982 is as follows:

Category of aggregate short-term borrowings	Balance, end of year	Weighted average interest rate at end of year	Maximum amount outstanding during the year	Average amount outstanding during the year	Weighted average interest rate during the year
1984					
Notes payable to banks	**$56,077**	**9.9%**	**$158,500**	**$48,114**	**12.5%**
Commercial paper	**$ 2,240**	**11.0%**	**$ 74,891**	**$42,321**	**11.0%**
1983					
Notes payable to banks	$21,292	10.8%	$ 95,188	$74,881	10.8%
Commercial paper	$30,136	9.6%	$ 78,561	$70,977	9.7%
1982					
Notes payable to banks	$82,641	10.5%	$ 82,641	$54,729	14.5%
Commercial paper	$71,906	10.2%	$ 71,906	$64,044	14.6%

At December 31, 1984, the Company had available approximately $134,000 of unused short-term borrowing facilities on the majority of which it paid commitment fees of 3/8% of the unused amount.

Long-Term

	1984	1983
Revolving credit bank notes	**$ –**	$ 45,000
Debentures due 1984 – 10.25%	**–**	30,000
Debentures due 1986 – 9%	**25,000**	25,000
Debentures due 1998 – 11.5%	**60,000**	60,000
Deutsche Mark Bonds due 1991 (DM 100 million) – 8.25%	**31,841**	36,760
	116,841	196,760
Debt of Subsidiary Companies		
Debentures due 1999 – 12.25%	**50,000**	–
Revolving credit bank notes	**205,000**	165,000
Note payable to insurance company due in installments through 1992 – 9.5%	**23,400**	26,300
Other notes payable due in installments through 2004 at interest rates varying from 6.1% to 14%	**17,610**	22,053
Obligations under capital leases (Note 13)	**5,147**	9,142
	301,157	222,495
	417,998	419,255
Less installments due in one year	**5,927**	39,220
	$412,071	$380,035

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

8. Debt (Continued)

On May 26, 1983, the Company issued $60,000 of retractable debentures due on June 1, 1998 bearing an interest rate of 11½% through June 1, 1988. The Company has the right to adjust the interest rate to apply during the five year periods beginning on June 1, 1988 and June 1, 1993. Interest is payable annually on June 1 of each year. The debentures may be redeemed in whole or in part at the option of the Company and any debenture holder may require the Company to redeem his debentures, in each case at 100% of their principal amount, on June 1, 1988 and 1993.

On December 15, 1983, the Company issued $36,760 of Deutsche Mark Bonds due December 16, 1991 (DM 100 million) bearing an interest rate of 8.25%. Interest is payable annually on December 16 of each year. During 1984 the Company invested DM 100 million (which appears as a long-term investment in the consolidated statement of financial position at December 31, 1984) as a hedge against the exchange exposure related to these bonds.

The Company has revolving credit agreements with two banks which provide that the Company may borrow up to $140,000. The amount outstanding under these agreements was $45,000 at December 31, 1983. On December 1, 1986 or later with the consent of the banks, the banks' commitment will commence to be extinguished by 24 equal semi-annual reductions, and the Company will be required to make repayments to the extent that the outstanding loans exceed the commitment limit. Interest is payable at rates not exceeding the U.S. prime rate. The weighted average interest rate was 11.2%, 10.2%, and 15.1% during 1984, 1983 and 1982, respectively. The Company pays a commitment fee of ¼% on the unused amount of the facility.

On December 21, 1984, a subsidiary of the Company issued $50,000 of retractable debentures due December 21, 1999 at 99¾% of their face value which are guaranteed by the Company and bear an interest rate of 12¼% through December 21, 1989. Thereafter the subsidiary has the right to designate the interest rate to apply to each subsequent interest period (one or more whole year periods, as designated by the subsidiary) beginning on December 21, 1989 and at the end of each subsequent interest period. Interest is payable annually on December 21 of each year. The guaranteed debentures may be redeemed in whole or in part at the option of the subsidiary and any debenture holder may require the subsidiary to redeem his debentures, in each case at 100% of their principal amount, on December 21, 1989 and at the end of each subsequent interest period. Proceeds of the issue were used for the repayment of the subsidiary's revolving credit bank notes.

A subsidiary of the Company has revolving credit agreements with a group of banks which provide that the subsidiary may borrow up to $275,000. The amounts outstanding under these agreements at December 31, 1984 and 1983 were $205,000 and $165,000, respectively. The outstanding loan balances will convert principally on November 1, 1986 into term loans repayable in 16 equal quarterly installments commencing on February 1, 1987. Interest is payable at rates not exceeding the U.S. prime rate. The weighted average interest rate was 11.0%, 10.3% and 11.4% during 1984, 1983 and 1982, respectively. The subsidiary pays a commitment fee of ⅜% on the unused amount of the facility.

The revolving credit agreements and the loan agreements relating to subsidiary companies contain certain covenants with respect to working capital, net worth, leases, indebtedness, the payment of dividends and other items. The Company has complied with all provisions of these agreements. At December 31, 1984, $137 million of retained earnings was free of restrictions on dividend payments.

Future principal payments on long-term debt are as follows (assuming that the revolving credit agreements are converted into term loans at the earliest possible dates indicated above and assuming no early redemptions of retractable debentures):

1986	$ 31,050
1987	56,290
1988	57,340
1989	55,620
1990	55,629
Thereafter	156,142
	$412,071

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

9. Interest Expense – Net

	1984	1983	1982
Interest on long-term debt	**$43,262**	$38,939	$48,230
Interest on short-term debt	**12,245**	17,133	20,339
Interest income	**(12,725)**	(16,497)	(23,308)
Interest capitalized on fixed assets	**–**	–	(1,200)
	$42,782	$39,575	$44,061

10. Capital Stock

The Company is incorporated under the Canada Business Corporations Act and is authorized to issue an unlimited number of common and preferred shares of no par value.

On November 13, 1984, the Company issued 8,165,000 shares of 9.5% Cumulative Redeemable Convertible Preferred Shares Series 2 for a cash consideration of $155,278 (Cdn. $204,125). Each share entitles its holder to receive a fixed cumulative preferential cash dividend at an annual rate of Cdn. $2.375 per share. Each share is convertible at any time prior to November 16, 1994, into one common share. Also, subject to market conditions, these shares are redeemable at the option of the Company at a price which decreases in equal annual amounts from Cdn. $26.00 to Cdn. $25.00 between November 16, 1989 and November 15, 1995, and thereafter at Cdn. $25.00. The Company is obligated to repurchase a maximum of 163,300 shares annually beginning in 1990 if such shares are available at a price not exceeding Cdn. $25.00 per share. Expenses of $3,255 have been charged directly to retained earnings. The proceeds of this issue were used to reduce short-term borrowings.

On December 7, 1983, the Company issued 3,000,000 shares of 8.84% Cumulative Redeemable Retractable Preferred Shares Series 1 for a cash consideration of $60,270 (Cdn. $75 million). Each share entitles its holder to receive a fixed cumulative preferential cash dividend at an annual rate of Cdn. $2.21 per share. A holder of such shares may require the Company to redeem his shares on December 1, 1989 at a price equal to Cdn. $25.00 per share. On or after December 1, 1988, the Series 1 Preferred Shares will be redeemable at the option of the Company at a price which decreases in equal annual amounts from Cdn. $26.00 to Cdn. $25.00 between December 1, 1988 and December 1, 1993, and at Cdn. $25.00 thereafter. The Company is obligated to repurchase a maximum of 60,000 shares annually from 1985 through 1989 and 4% of the total shares outstanding at December 31, 1989 annually thereafter, if such shares are available at a price not exceeding Cdn. $25.00 per share. Expenses of $1,070 net of income taxes of $859 have been charged directly to retained earnings. The proceeds were used to reduce short-term bank borrowings and for general corporate working capital purposes.

On October 4, 1982, 5,555,555 shares of capital stock were issued for a cash consideration of $80,780 (Cdn. $100 million). Proceeds from the issue were used to retire long-term debt. Expenses of $1,206 net of income taxes of $1,034 have been charged directly to retained earnings.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

10. Capital Stock (Continued)

The Company has a stock option plan under which options for a term not exceeding ten years may be granted to key employees to purchase common shares of the Company at a price not less than 90% of their fair market value at the date of grant. Common shares reserved for exercise of these options may not at any time exceed 5% of the number of common shares then outstanding. Transactions involving the plan are summarized below:

	Shares		Option Price Per Share
	Reserved	Granted	(Canadian Currency)
Outstanding December 31, 1983	30,650	495,400	$12.00 - $20.375
Reserved	1,000,000	–	– - –
Granted	(600,000)	600,000	$18.625
Exercised	–	(115,500)	$12.00
Outstanding December 31, 1984	430,650	979,900	$12.00 - $20.375

The options outstanding at December 31, 1984, of which officers of the Company held 867,500, are exercisable through various dates up to July 1994 for proceeds totalling Cdn. $17,155,000. In 1984, 115,500 shares were issued for cash and notes receivable aggregating Cdn. $1,386,000. In 1983, 339,050 shares were issued for cash and notes receivable at an option price per share ranging between Cdn. $6.875 and Cdn. $17.50 and aggregating Cdn. $4,153,000. In 1982, 441,000 shares were issued for cash and notes receivable at an option price per share ranging between Cdn. $6.875 and Cdn. $16.65 and aggregating Cdn. $5,181,000.

11. Pension Plans

The Company and its subsidiaries have defined benefit pension plans covering substantially all employees. Pension expense (normal cost and amortization of unfunded past service costs over periods ranging from 15 to 30 years) was $6,003, $10,034 and $8,477 in 1984, 1983 and 1982, respectively. Pension expense in 1984 decreased as a result of changes in various actuarial assumptions based upon plan experience, primarily those related to employment levels. It is the Company's policy to fund pension costs accrued. Benefits under certain German pension plans, in accordance with applicable laws, have not been funded and the costs not being funded ($3,912 and $4,270 at December 31, 1984 and 1983, respectively) are included in deferred liabilities in the consolidated statements of financial position.

A comparison of accumulated plan benefits and plan net assets for the pension plans of the Company and its subsidiaries at January 1, 1984 and 1983 is as follows:

	1984	1983
Actuarial present value of accumulated plan benefits		
Vested	**$167,379**	$162,944
Nonvested	**9,868**	11,767
	$177,247	$174,711
Net assets available for benefits	**$250,879**	$211,810

The weighted average assumed rates of return used in determining the actuarial present value of accumulated plan benefits is 8% in both years.

Included in Other revenues in the consolidated statements of operations for the year ended December 31, 1984 is a $9,807 refund of a surplus in the Company's pension plan in Canada. This amount had previously been charged to expense and is excess to future funding requirements.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

12. Business Segments

The Company operates in the following industry segments:

Construction Products
Compaction equipment; cranes and derricks; excavators; material handling and pile-driving equipment; tree harvesting and pulp and paper processing equipment.

Engineering and Construction Services
Bulk material handling systems; marine equipment; offshore petroleum production and distribution systems; turnkey petroleum refineries, petrochemical and industrial plants; pre-engineered building systems and vehicular tunnel tubes.

Industrial Products
Aerospace and automotive components; beverage, dairy and food processing and packaging machinery; foundry machinery and accessories; hydraulic components and systems; industrial fasteners; marine, industrial and shipyard cranes; metal forming machinery; water well and oil field drilling equipment; power brushes and buffs; pressure tanks and cylinders. Machine Tools – Computer numerically controlled horizontal and vertical lathes and turning centers; horizontal and vertical machining centers; horizontal boring, drilling and milling machines; automatic assembly machines; flexible manufacturing systems; transfer machines; computer numerical controls; microprocessors; cutting tools and fixtures; drill point grinders; balancing equipment.

Steel Products and Services
Steel production, distribution, fabrication and erection; energy products, services and systems related to the generation and transmission of electric power from fossil fuel, nuclear, hydroelectric, tidal power and waste conversion resources.

Financial, Marketing and Licensing Services
Financing to promote sales of AMCA products; purchasing of raw materials and components for AMCA units; marketing of AMCA products; licensing of proprietary AMCA patents and trademarks outside North America.

Segment results for 1983 and 1982 have been restated for the discontinuance of the consumer products business (See Note 2).

Notes to Consolidated Financial Statements

(In thousands of U.S. dollars) (Continued)

12. Business Segments (Continued)

	Year ended December 31, 1984								
	Assets before elimina-tions	Assets after elimina-tions	Sales			Segment operating profit before elimina-tions	Segment operating profit after elimina-tions	Capital expendi-tures(1)	Depreciation and amortization(1)
			Gross	Inter-segment	Net				
Industry Segment									
Construction Products	$ 147,952	$ 141,935	$ 261,429	$ 1,812	$ 259,617	$ 13,241	$13,241	$ 2,855	$ 4,930
Engineering and Construction Services	141,872	139,872	418,724	1,222	417,502	20,902	20,902	3,038	3,666
Industrial Products	459,046	458,651	491,234	5,663	485,571	27,275	27,275	14,039	18,453
Steel Products and Services	114,265	114,265	257,959	1,736	256,223	(1,946)	(1,946)	4,407	4,645
Financial, Marketing and Licensing Services	335,160	81,450	25,191	18,321	6,870	52,192	2,789	832	604
	$1,198,295	936,173	$1,454,537	$28,754	$1,425,783	$111,664	$62,261	$25,171	$32,298
Corporate		250,834							
Investments in and advances to unconsolidated subsidiaries and affiliates		71,593							
Assets of discontinued operations		58,147							
Total assets		$1,316,747							
Geographic Segment									
United States	$ 613,960	$ 610,933	$ 976,880	$13,329	$ 963,551	$ 51,508	$50,998		
Canada	145,052	145,052	298,707	7,302	291,405	(1,146)	(1,389)		
Europe	420,510	158,479	187,198	41,835	145,363	53,107	12,192		
Other	72,944	21,709	25,744	280	25,464	460	460		
	$1,252,466	$ 936,173	$1,488,529	$62,746	$1,425,783	$103,929	$62,261		
Reconciliation of Segment Operating Profit to Net Loss									
Segment operating profit							$62,261		
Corporate expenses							(25,694)		
Unallocated net interest expense							(52,721)		
Equity in pre-tax losses of unconsolidated subsidiaries and affiliates (excluding AIFC & AIFL)							(5,100)		
Other revenues							9,307		
Loss from continuing operations before income taxes							(11,447)		
Income taxes							(16,514)		
Income from continuing operations							5,067		
Discontinued operations – net of income taxes							(6,722)		
Net loss							$ (1,655)		

(1) Capital expenditures and depreciation and amortization exclude $3,088 and $4,051, respectively, of corporate amounts.

Notes to Consolidated Financial Statements

(In thousands of U.S. dollars)
(Continued)

12. Business Segments (Continued)

	Year ended December 31, 1983								
	Assets before elimina-tions	Assets after elimina-tions	Sales			Segment operating profit before elimina-tions	Segment operating profit after elimina-tions	Capital expendi-tures(1)	Depreciation and amortization(1)
			Gross	Inter-segment	Net				
Industry Segment									
Construction Products	$ 203,967	$ 187,209	$ 201,618	$ 486	$ 201,132	$ 4,304	$ 4,304	$ 3,461	$ 5,367
Engineering and Construction Services	109,600	107,138	316,583	1,550	315,033	(1,761)	(1,761)	943	4,146
Industrial Products	420,932	416,116	448,877	2,151	446,726	25,061	25,061	12,985	17,279
Steel Products and Services	138,512	134,877	248,975	1,301	247,674	(521)	(521)	1,969	4,967
Financial, Marketing and Licensing Services	393,213	54,439	14,929	11,112	3,817	53,185	10,091	1,087	1,285
	$1,266,224	899,779	$1,230,982	$16,600	$1,214,382	$80,268	$ 37,174	$20,445	$33,044
Corporate		227,900							
Investments in and advances to unconsolidated subsidiaries and affiliates		71,997							
Assets of discontinued operations		50,421							
Total assets		$1,250,097							
Geographic Segment									
United States	$ 640,169	$ 563,910	$ 766,585	$ 7,898	$ 758,687	$25,290	$ 19,814		
Canada	166,281	161,515	273,023	647	272,376	(4,206)	(4,206)		
Europe	445,398	154,180	185,266	21,333	163,933	59,807	22,189		
Other	71,824	20,174	19,485	99	19,386	(497)	(623)		
	$1,323,672	$ 899,779	$1,244,359	$29,977	$1,214,382	$80,394	$ 37,174		
Reconciliation of Segment Operating Profit to Net Loss									
Segment operating profit							$ 37,174		
Corporate expenses							(25,058)		
Unallocated net interest expense							(51,633)		
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (excluding AIFC & AIFL)							(3,693)		
Loss from continuing operations before income taxes							(43,210)		
Income taxes							39,605		
Loss from continuing operations							(3,605)		
Discontinued operations – net of income taxes							(35,689)		
Net loss							$(39,294)		

(1) Capital expenditures and depreciation and amortization exclude $1,913 and $3,479, respectively, of corporate amounts.

Notes to Consolidated Financial Statements

(In thousands of U.S. dollars) (Continued)

12. Business Segments (Continued)

	Year ended December 31, 1982								
	Assets before elimina-tions	Assets after elimina-tions	Sales			Segment operating profit before elimina-tions	Segment operating profit after elimina-tions	Capital expendi-tures(1)	Depreciation and amortization(1)
			Gross	Inter-segment	Net				
Industry Segment									
Construction Products	$ 175,812	$ 174,496	$ 220,276	$ 2,616	$ 217,660	$ 14,779	$ 14,779	$ 4,977	$ 3,620
Engineering and Construction Services	137,285	134,519	375,574	2,058	373,516	30,234	30,234	1,497	4,166
Industrial Products	453,422	436,422	362,046	3,011	359,035	38,742	38,742	9,695	13,482
Steel Products and Services	153,419	153,419	286,232	1,587	284,645	18,271	18,271	4,436	4,666
Financial, Marketing and Licensing Services	408,280	53,865	13,879	9,685	4,194	62,949	19,547	563	534
	$1,328,218	952,721	$1,258,007	$18,957	$1,239,050	$164,975	$121,573	$21,168	$26,468
Corporate		194,314							
Investments in and advances to unconsolidated subsidiaries and affiliates		72,857							
Assets of discontinued operations		153,844							
Total assets		$1,373,736							
Geographic Segment									
United States	$ 643,904	$ 579,235	$ 737,895	$ 140	$ 737,755	$ 62,289	$ 62,289		
Canada	180,828	179,087	319,241	4,360	314,881	18,441	18,441		
Europe	473,812	170,615	236,507	74,034	162,473	81,464	38,544		
Other	76,265	23,784	23,941	–	23,941	2,299	2,299		
	$1,374,809	$ 952,721	$1,317,584	$78,534	$1,239,050	$164,493	$121,573		
Reconciliation of Segment Operating Profit to Net Income									
Segment operating profit							$121,573		
Corporate expenses							(20,717)		
Unallocated net interest expense							(55,480)		
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates (excluding AIFC & AIFL)							(1,979)		
Income from continuing operations before income taxes							43,397		
Income taxes							4,396		
Income from continuing operations							47,793		
Discontinued operations – net of income taxes							49		
Net income							$ 47,842		

(1) Capital expenditures and depreciation and amortization exclude $8,690 and $3,692, respectively, of corporate amounts.

Intersegment and interregional sales are accounted for at prices which the Company believes approximate market. The Canadian operations include export sales, primarily to customers in the United States, Africa and the Far East of $59,012, $22,296, and $31,586 in 1984, 1983 and 1982, respectively.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

13. Long-Term Lease Commitments

The Company leases machinery, transportation equipment, office, warehouse and manufacturing facilities for periods up to 25 years.

The following is an analysis of the property under capital leases by major classes:

Classes of Property	Asset balances (Note 7) at December 31, 1984	1983
Manufacturing facilities	**$5,425**	$ 7,728
Other	**1,389**	4,402
	6,814	12,130
Less accumulated amortization	**2,576**	3,621
	$4,238	$ 8,509

Future minimum lease payments under all leases at December 31, 1984 are:

	Capital leases	Operating leases
1985	$1,178	$ 9,091
1986	1,143	8,003
1987	1,069	5,591
1988	688	3,382
1989	661	2,091
Subsequent to 1989	3,186	5,434
Total minimum lease payments	7,925	$33,592
Less amount representing interest	2,778	
Present value of minimum lease payments	$5,147	

Total rental expense for all operating leases for the years ended December 31, 1984, 1983 and 1982 was $11,900, $12,271 and $11,815, respectively.

14. Transactions with Related Parties

Transactions with related parties during the years ended December 31, 1984, 1983 and 1982 were as follows:

	1984	1983	1982
Sales of various products	**$ 5,667**	$ 5,045	$ 9,926
Purchases of inventories	**42,587**	29,468	32,085
Finance charges from unconsolidated subsidiaries	**25,205**	10,055	15,774

15. Contingent Liabilities

A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available to it, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

Notes to Consolidated Financial Statements

December, 31, 1984, 1983 and 1982
(In thousands of U.S. dollars)
(Continued)

16. Differences Between Canadian and United States Accounting Principles

Generally accepted accounting principles (GAAP) in Canada permit expenses related to the issue of capital stock, net of income taxes, to be deducted from retained earnings while United States GAAP requires such expenses to be deducted from the proceeds of stock issuances credited to capital stock. This reclassification would not affect net income as reported but would reduce capital stock and increase retained earnings by $5,531 at December 31, 1984, $2,276 at December 31, 1983 and $1,206 at December 31, 1982.

The 8.84% redeemable preferred shares – Series 1 have been classified in the shareholders' equity section in the consolidated statements of financial position in accordance with GAAP. United States Securities and Exchange Commission regulations require that such securities be classified outside the shareholders' equity section. Such a reclassification would not affect net income.

Auditors' Report

To the Shareholders of AMCA International Limited

We have examined the consolidated statements of financial position of AMCA International Limited at December 31, 1984 and 1983 and the consolidated statements of operations, retained earnings, and changes in financial position for each of the years in the three-year period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1984 in accordance with accounting principles generally accepted in Canada applied on a consistent basis during the period.

Arthur Young & Company

Montreal, Canada
January 28, 1985

Chartered Accountants

Stock Information

Stock Exchanges
Montreal, New York, Toronto

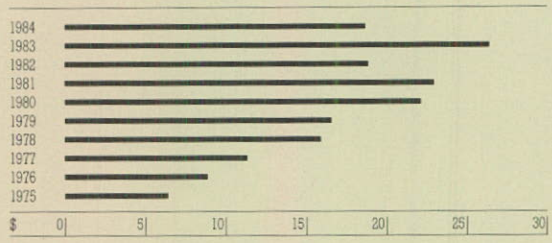
Ticker Symbol
AIL

Transfer Agent and Registrar
Canada – The Royal Trust Company (Common and Preferred Series 1: Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver. Preferred Series 2: Same, with Halifax additional.)
United States – Manufacturers Hanover Trust Company (New York)

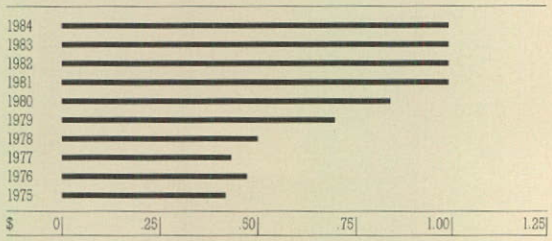
Stock Ownership
The Algoma Steel Corporation, Limited owns 34.5 percent of the Company's outstanding common shares. Canadian Pacific Enterprises Limited owns 16.2 percent of the Company's outstanding common shares and, in addition, owns 61.16 percent of Algoma's common shares.

Dividend Information
Dividends were paid in 1984 as follows: US $1.00 on common shares, Cdn. $2.35 on preferred shares Series 1, Cdn. $0.3098 on convertible preferred shares Series 2. Dividends on common shares have been paid every year since 1912.

Common Stock Price*



Common Stock Dividend†



*Canadian Dollars Per Share.

At the end of December the stock closed at Cdn. $18.75 on the Toronto Stock Exchange. The closing price at the end of December on the New York Stock Exchange was $14.75.

†Dividends converted to U.S. dollars for purposes of this chart. The apparent reduction in dividends in 1977 resulted from the manner in which the Company chose to pay the increase allowed by the Canadian Anti-Inflation Board in late 1976.

Data adjusted to reflect the two-for-one stock subdivisions in October 1976 and December 1979.

Consolidated Statement of Operations by Quarters*

(Unaudited, in thousands of U.S. dollars except per share data)	1984 December	1984 September	1984 June	1984 March	1983 December	1983 September	1983 June	1983 March
Revenues								
Sales	**$354,685**	**$350,350**	**$368,470**	**$352,278**	$326,243	$315,265	$304,374	$268,500
Equity in pre-tax earnings of unconsolidated subsidiaries and affiliates	**1,377**	**1,230**	**1,215**	**807**	(822)	659	809	1,185
Other	**–**	**–**	**9,807**	**–**	–	–	–	–
	356,062	**351,580**	**379,492**	**353,085**	325,421	315,924	305,183	269,685
Costs and Expenses								
Cost of sales	**282,657**	**279,075**	**294,806**	**280,599**	263,631	247,056	242,087	204,577
Selling, general and administrative expenses	**61,433**	**58,574**	**59,333**	**59,529**	61,200	59,950	57,741	46,707
Depreciation and amortization	**9,309**	**9,099**	**9,203**	**8,738**	9,133	8,823	9,332	9,235
Interest	**12,612**	**12,072**	**9,212**	**8,886**	10,086	9,845	9,571	10,073
Foreign currency transaction (gain) loss	**(1,114)**	**(770)**	**762**	**(2,349)**	5	347	140	(116)
	364,897	**358,050**	**373,316**	**355,403**	344,055	326,021	318,871	270,476
Income (Loss) from Continuing Operations before Income Taxes	**(8,835)**	**(6,470)**	**6,176**	**(2,318)**	(18,634)	(10,097)	(13,688)	(791)
Income tax benefit	**(4,947)**	**(3,553)**	**(2,698)**	**(5,316)**	(14,525)	(9,319)	(10,754)	(5,007)
Income (Loss) from Continuing Operations	**(3,888)**	**(2,917)**	**8,874**	**2,998**	(4,109)	(778)	(2,934)	4,216
Discontinued Operations								
Income (loss) from operations, net of tax	**–**	**(3,240)**	**185**	**(107)**	(2,260)	(5,243)	(3,950)	(1,636)
Loss on disposal, net of tax	**(799)**	**(2,761)**	**–**	**–**	(22,600)	–	–	–
	(799)	**(6,001)**	**185**	**(107)**	(24,860)	(5,243)	(3,950)	(1,636)
Net Income (Loss)	**$ (4,687)**	**$ (8,918)**	**$ 9,059**	**$ 2,891**	$ (28,969)	$ (6,021)	$ (6,884)	$ 2,580
Per Common Share Data								
Sales	**$ 10.64**	**$ 10.51**	**$ 11.07**	**$ 10.60**	$ 9.82	$ 9.49	$ 9.17	$ 8.11
Continuing operations	**(.22)**	**(.13)**	**.23**	**.05**	(.12)	(.02)	(.09)	.12
Net income (loss)	**(.24)**	**(.31)**	**.23**	**.05**	(.88)	(.18)	(.21)	.08
Dividends	**.25**	**.25**	**.25**	**.25**	.25	.25	.25	.25

*The figures for each quarter have been restated to reflect the separate classification of the results of operations of the discontinued businesses (See Note 2 to the Consolidated Financial Statements).

Per common share data have been calculated on a quarterly basis using the weighted average shares outstanding during each quarter.

Directors

*‡**Kenneth S. Barclay** (1968)
Chairman, President and
Chief Executive Officer
AMCA International Limited

Frederick S. Burbidge (1983)
Chairman and Chief Executive Officer
Canadian Pacific Limited
(Transportation, resource development
and manufacturing company)

***Robert W. Campbell** (1979)
Chairman and Chief Executive Officer
Canadian Pacific Enterprises Limited
(Diversified resource company)

***Michael D. Dingman** (1978)
President
The Signal Companies
(Engineering and high technology)

***‡Stuart E. Eagles** (1983)
President
Canadian Pacific Enterprises Limited
(Diversified resource company)

***John Macnamara** (1973)
Chairman and Chief Executive Officer
The Algoma Steel Corporation, Limited
(Steel manufacturer)

†‡**Brian R. B. Magee** (1971)
Honorary Chairman
A. E. LePage Limited
(Real estate company)

John R. Meyer (1978)
Professor
Harvard University

‡**Peter M. Nixon** (1981)
President and Chief Operating Officer
The Algoma Steel Corporation, Limited
(Steel manufacturer)

†**C. Douglas Reekie** (1984)
President and Chief Executive Officer
CAE Industries Ltd.
(Holding and management company)

James E. Robison (1978)
Chairman
Nucon Holdings Inc.
(Private venture capital company)
President
Lonsdale Enterprises, Inc.
(Financial consulting company)

†‡**Dalton D. Ruffin** (1974)
Regional Vice President
Wachovia Bank & Trust Company, N.A.
(Commercial bank)

James R. Shepley (1983)
Chairman of the Board
Pullman Transportation Inc.
President
Wilton II, Inc.
(Management consulting company)

Arthur Temple (1984)
Chairman of the Board
Temple-Inland Inc.
(Forest products company)
Chairman of the Board
Exeter Investment Company
(Real estate investment and
development company)

Robert J. Theis (1983)
Chairman and President
Canadian Pacific Enterprises (U.S.) Inc.
(Holding company for U.S. companies)

*Member, Executive Committee
†Member, Audit Committee
‡Member, Management Resources and
Remuneration Committee
(Year of election to Board of Directors
in parentheses)

Officers

Principal Corporate Officers

Kenneth S. Barclay
Chairman, President and
Chief Executive Officer

William R. Holland
Executive Vice President

Frank J. Stevenson
Executive Vice President

Senior Corporate Officers

Ross E. Chamberlain
Senior Group Vice President

Frank W. Jones
Group Vice President

Robert C. Kelley
Group Vice President

Vincent L. Martin
Group Vice President

John B. Phelan
Group Vice President

Karl H. Schwamborn
Group Vice President

Julian B. Twombly
Group Vice President

Arnold B. Bjornsson
Senior Vice President

Robert J. Burian
Senior Vice President

John A. Davis
Senior Vice President
(General Counsel, Secretary)

John J. Reynolds
Senior Vice President

Frank H. Roland
Senior Vice President

Mark Train
Senior Vice President

Other Corporate Officers

Charles G. Crabtree
Controller

James H. Frost
Vice President

Ross A. C. Henry
Assistant Secretary

Terrence W. Mahoney
Assistant Secretary

Donald E. Reed
Treasurer

Robert A. Reid
Vice President

Henry S. Tamaki
Vice President

Michael J. Ucci
Vice President

AMCA INTERNATIONAL LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of AMCA International Limited (the "Corporation") will be held in the Vanity Fair Ballroom of The King Edward Hotel, 37 King Street East, Toronto, Ontario, Canada on Tuesday, April 23, 1985 at 10:00 A.M. (Toronto time), for the following purposes:

(1) To receive the consolidated financial statements of the Corporation for the year ended December 31, 1984, the auditors' report thereon, and the annual report of the directors;

(2) To elect Directors;

(3) To appoint Arthur Young & Company as independent auditors of the Corporation for the calendar year 1985;

(4) To transact such other business, if any, as may properly come before the meeting.

By order of the Board of Directors,

J. A. Davis,

Secretary.

OCT 7 1985
McGILL UNIVERSITY

Toronto, Ontario

March 22, 1985

If you are unable to be present in person, please date, sign and return the enclosed form of proxy to the Corporation, care of The Royal Trust Company, P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, in the envelope provided for that purpose.

AMCA International Limited

Management Proxy Circular/Proxy Statement

SOLICITATION OF PROXIES

This Management Proxy Circular/Proxy Statement (the "Proxy Circular") is furnished in connection with the solicitation of proxies by the Board of Directors and the Management of AMCA International Limited (the "Corporation") for use at the Annual Meeting of Shareholders of the Corporation to be held on April 23, 1985 at the time, place and for the purposes set forth in the foregoing notice of meeting, and any adjournment or adjournments thereof (the "Meeting"). The cost of such solicitation will be borne by the Corporation. The Corporation may pay persons holding shares in their names or those of their nominees for their expenses in sending soliciting material to their principals. The principal executive offices of the Corporation are located at the Dartmouth National Bank Building, Hanover, New Hampshire 03755, U.S.A. The Corporation's registered office is located at 200 Ronson Drive, Rexdale, Toronto, Ontario, Canada M9W 5Z9. The approximate date on which this Proxy Circular and the accompanying form of proxy will first be sent to the shareholders of the Corporation is March 22, 1985.

APPOINTMENT AND REVOCATION OF PROXIES

A shareholder has the right to appoint as proxy another person (who need not be a shareholder) to represent and vote on behalf of the shareholder at the Meeting by executing the accompanying form of proxy. Execution of the proxy will not affect a shareholder's right to attend the Meeting and vote in person. Any shareholder giving a proxy has the right to revoke it at any time before it is acted upon by (i) an instrument in writing executed by the shareholder or by the shareholder's attorney duly authorized in writing, or if the shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the Corporation's registered office at any time up to and including the last business day preceding the day of the Meeting or any adjournments thereof at which the proxy is to be used, or with the Chairman of such Meeting on the day of such Meeting or any adjournment thereof, or (ii) any other manner permitted by law.

RECORD DATE

Only holders of record of the Corporation's common shares at the close of business on March 15, 1985 are entitled to notice of and to vote at the Meeting, except that a transferee of such common shares acquired after such date shall be entitled to vote at the Meeting if he produces properly endorsed share certificates for such shares or otherwise establishes that he owns such shares, and he requests not later than 10 days before the Meeting that his name be included in the list of shareholders entitled to receive notice of the Meeting, such list having been prepared as of March 15, 1985.

ACTION TO BE TAKEN UNDER PROXIES

Shares represented by properly executed proxies in the accompanying form of proxy will be voted or withheld from voting in accordance with instructions indicated thereon. **IF NO CONTRARY INSTRUCTION IS INDICATED, SHARES REPRESENTED BY SUCH PROXIES WILL BE VOTED BY THE PERSONS DESIGNATED IN THE PRINTED PORTION THEREOF: FOR THE ELECTION OF THE NOMINEES NAMED BELOW TO SERVE AS DIRECTORS UNTIL THE NEXT ANNUAL MEETING; FOR APPROVAL OF THE APPOINTMENT OF ARTHUR YOUNG & COMPANY AS INDEPENDENT AUDITORS OF THE CORPORATION; AND AT THE DISCRETION OF THE PROXY HOLDER WITH RESPECT TO ANY OTHER BUSINESS WHICH MAY PROPERLY COME BEFORE THE MEETING.** As of the date of mailing of this Proxy Circular to shareholders, the Board of Directors and Management of the Corporation know of no other business to be presented at the Meeting.

A majority of votes is necessary to approve the matters to be submitted to the Corporation's shareholders at the Meeting. Under the Corporation's By-laws, at any meeting of shareholders, three persons personally present, each of whom shall be entitled to vote at such meeting either personally or as the authorized representative of a corporation, and representing in person or by proxy at least 25% of the outstanding common shares of the Corporation, constitute a quorum.

REPORTING CURRENCY

Unless otherwise indicated, all dollar amounts referred to herein are expressed in United States dollars.

ELECTION OF DIRECTORS

Seventeen directors are nominated for election at the Meeting. Each director elected will hold office until the next annual meeting of shareholders, unless prior thereto he shall resign or his office becomes vacant by death, removal or other cause. The Corporation does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Set forth below as to each such nominee is such person's principal occupation, age, the period of such person's service as a director of the Corporation, and additional biographical information.

Name and Age	*Director of the Corporation Since*	*Position with the Corporation and Significant Affiliates, Principal Occupations, and Recent Business Experience (1)*
Russell S. Allison (60)	—	President of CP Rail (railway), 1984 to present. Executive Vice President of CP Rail 1981-1984. Vice President, Eastern Region, of CP Rail 1980-1981. Director of Soo Line Corporation.
M. Norman Anderson (54)	—	Chairman, Chief Executive Officer and Director of Cominco Ltd. (integrated natural resource company), 1980 to present. Director of Canadian Pacific Enterprises Limited and Gulf Canada Limited.
Kenneth S. Barclay (2) (58)	1968	Chairman and Chief Executive Officer of the Company, 1980 to present. President of the Company 1983 to present. Chairman, Chief Executive Officer, and Director of AMCA International Corporation, 1980 to present. President of AMCA International Corporation 1983 to present. Director of AMCA Netherlands B.V., 1980 to present.
Frederick S. Burbidge (66)	1983	Chairman and Chief Executive Officer of Canadian Pacific Limited (transportation, resource development, and manufacturing company) 1981 to present. President of Canadian Pacific Limited, 1980-1981. Director of Canadian Pacific Limited, Canadian Pacific Enterprises Limited, and Soo Line Corporation.
Robert W. Campbell (2) (62)	1979	Chairman and Chief Executive Officer of Canadian Pacific Enterprises Limited (diversified resource company), 1984 to present. Chairman of the Board, PanCanadian Petroleum Limited (natural resource company), 1982 to present. Vice Chairman and Chief Executive Officer of Candian Pacific Enterprises Limited, 1982-1984. Chairman of the Board and Chief Executive Officer of PanCanadian Petroleum Limited 1980-1982. Director of Canadian Pacific Limited, Canadian Pacific Enterprises Limited, The Algoma Steel Corporation, Limited and Westinghouse Electric Corporation.

Name and Age	Director of the Corporation Since	Position with the Corporation and Significant Affiliates, Principal Occupations, and Recent Business Experience (1)
Michael D. Dingman (2) ..... (53)	1978	President of The Signal Companies, Inc. (engineering and high technology), 1983 to present. Chairman and Director of Wheelabrator-Frye, Inc. (engineering and construction), 1980 to present. Chairman, President and Chief Executive Officer of Wheelabrator-Frye, Inc., 1980-1983. Director of AMCA International Corporation, The Signal Companies, Inc., Mellon National Corporation, Pogo Producing Company, Time, Inc., Ford Motor Company and McFaddin Ventures, Inc.
Stuart E. Eagles (2) (4) ..... (55)	1983	President, Canadian Pacific Enterprises Limited (diversified resource company), 1983 to present. Chairman, President and Chief Executive Officer of Marathon Realty Company, Inc. (real estate development company), 1980-1983. Director of Canadian Pacific Enterprises Limited.
John Macnamara (2) ..... (60)	1973	Chairman and Chief Executive Officer of The Algoma Steel Corporation, Limited (steel manufacturer), 1981 to present. President and Chief Operating Officer of Algoma 1980-1981. Director of Canadian Pacific Enterprises Limited and The Algoma Steel Corporation, Limited.
Brian R. B. Magee (3) (4) ..... (66)	1971	Honorary Chairman of Royal LePage (real estate firm) 1980 to present. Chairman of A.E. LePage (U.K.) Limited (realtors), 1980 to present. Deputy Chairman of Markborough Properties Limited (real estate firm) 1980-1982. Director of AMCA International Corporation and AMCA Netherlands B.V.
John R. Meyer ..... (57)	1978	Professor at Harvard University, 1980 to present. Vice Chairman of Union Pacific Corporation (diversified transportation and resource company), 1982-1983 (while on leave from Harvard University). Director of AMCA International Corporation, Union Pacific Corporation, Dun & Bradstreet, Ryan Homes, Inc. and Trustee of Mutual of New York.
Peter M. Nixon (4) ..... (55)	1981	President and Chief Operating Officer of The Algoma Steel Corporation, Limited (steel manufacturer), 1981 to present. Group Vice President of Algoma, 1980-1981. Director of Algoma and Steep Rock Resources, Inc.
C. Douglas Reekie (3) ..... (60)	1984	President and Chief Executive Officer of CAE Industries Ltd. (holding and management company), 1980 to present. Director of Canadian Pacific Enterprises Limited.

Name and Age	Director of the Corporation Since	Position with the Corporation and Significant Affiliates, Principal Occupations, and Recent Business Experience (1)
James E. Robison (69)	1978	President of Lonsdale Enterprises, Inc. (financial consulting company), 1980 to present. Director of AMCA International Corporation.
Dalton D. Ruffin (3) (4) (55)	1974	Regional Vice President of Wachovia Bank and Trust Company, N.A. (commercial bank), 1980 to present. Director of AMCA International Corporation and AMCA Netherlands B.V.
James R. Shepley (67)	1983	Chairman of the Board of Pullman Transportation Inc. (rail car manufacturer) 1984 to present. President of Wilton II, Inc. (management consulting firm), 1983 to present. President and/or Chairman of Executive Committee of Time, Inc. (diversified communications company), 1980-1982. Director of AMCA International Corporation, Temple-Inland Inc., Hilton Hotels Corp., Pullman Transportation Inc. and Crocker National Corporation.
Arthur Temple (65)	1984	Chairman of the Board of Temple-Inland Inc. (forest products company), 1984 to present. Chairman of the Board of Exeter Investment Company (real estate investment and development company), 1982 to present. Vice Chairman of the Board of Time, Inc. (diversified communications company), 1980-1983. Director of AMCA International Corporation, The Signal Companies, Inc., Time, Inc., Republic Bank Corporation and Temple-Inland Inc.
Robert J. Theis (60)	1983	Chairman of Canadian Pacific Enterprises (U.S.) Inc. (holding company for U.S. companies), 1983 to present. President of Canadian Pacific Enterprises (U.S.) Inc., 1980 to present. Director of AMCA International Corporation and The Algoma Steel Corporation, Limited.

(1) Where the date 1980 appears, it signifies the beginning of the last five years and not necessarily the date upon which the individual commenced the relevant position or occupation.

(2) Member of Executive Committee.

(3) Member of Audit Committee.

(4) Member of Management Resources and Remuneration Committee.

AMCA Netherlands B.V. and AMCA International Corporation ("AIC") are direct and indirect subsidiaries of the Corporation, respectively. Canadian Pacific Limited, Canadian Pacific Enterprises Limited, and The Algoma Steel Corporation, Limited may be considered parents of the Corporation. Canadian Pacific Enterprises (U.S.) Inc., Cominco Ltd., CP Rail, Soo Line Corporation, Steep Rock Resources, Inc., Marathon Realty Company, Inc., and PanCanadian Petroleum Limited may be considered affiliates of the Corporation.

The following table shows the fees payable to Directors of the Corporation and of those subsidiaries of the Corporation that pay fees to Directors. Amounts are stated in the currency in which they are paid.

Schedule of Board and Committee Fees (1) (2)

	AMCA Intl. Ltd. (Cdn. $)	*AMCA Intl. Corp. (U.S. $)*	*AMCA Neth. B.V. (Dfl.)*
Board of Directors			
Annual Retainer	8,000	16,000	30,000
Fee per Meeting	700	700	2,000
Executive Committee			
Annual Retainer	3,000	3,000	—
Fee per Meeting	700	700	—
Management Resources & Remuneration Committee			
Annual Retainer	3,000	3,000	—
Fee per Meeting	700	700	—
Audit Committee			
Annual Retainer	3,000	3,000	4,000
Fee per Meeting	700	700	2,000

(1) In addition, Directors are paid their out-of-pocket expenses for attending each meeting.

(2) All amounts shown are effective March 15, 1985.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Corporation has standing Executive, Audit, and Management Resources and Remuneration Committees of the Board of Directors.

The Executive Committee, which met twice during 1984, is empowered to exercise the full powers of the Board of Directors, excepting those powers specifically reserved to the Board of Directors by subsection 110(3) of the Canada Business Corporations Act.

The Audit Committee, which met four times during 1984, reviews the audit plan developed by the Corporation's auditors in connection with their annual audit of the Corporation's books and records, the results of the annual audit performed by the Corporation's auditors, the auditors' fees to the Corporation, the response of the Corporation's management to management letters issued by the auditors, current accounting rules and changes therein, and the operations of the Corporation's internal audit department. The Audit Committee also recommends the selection of auditors to the Board of Directors each year.

The Management Resources and Remuneration Committee, which met three times during 1984, recommends setting salary ranges for the Corporation's employees, including the salaries and incentive compensation of certain key employees and all executive officers. It also reviews the Corporation's personnel policies, and evaluates and approves or recommends changes in the Corporation's employee benefit plans.

During 1984, the Corporation's Board of Directors met seven times. With the exception of Messrs. Burbidge, Dingman, Meyer, Temple and Theis, each director attended at least 75% of the aggregate of all Board meetings and meetings of committees on which he served.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of March 15, 1985, the Corporation had outstanding 33,342,327 common shares ("Common Shares"), each such share being entitled to one vote, and 8,165,000 Cumulative Redeemable Convertible Preferred Shares Series 2 ("Series 2 Preferred Shares") having no voting rights except in certain limited situations. Each Series 2 Preferred Share is convertible into one Common Share at a conversion price of Cdn. $25 per share (equivalent to one Common Share for each Series 2 Preferred Share).

The Corporation believes that as of March 15, 1985, the following persons owned beneficially more than 5% of the Corporation's Common Shares:

Name and Address of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Class
Canadian Pacific Limited Windsor Station Montreal, Quebec H3C 3E4	5,386,353 Common Shares and 4,165,000 Series 2 Preferred Shares are held by Canadian Pacific Enterprises Limited, a corporation 69.80% owned by Canadian Pacific Limited, and 11,492,060 Common Shares are held by The Algoma Steel Corporation, Limited, a corporation 61.16% owned by Canadian Pacific Enterprises Limited.	50.7%

The following information as to the number of equity securities of the Corporation, Canadian Pacific Limited ("CPL"), Canadian Pacific Enterprises Limited ("CPEL"), and The Algoma Steel Corporation, Limited ("Algoma") beneficially owned as of March 15, 1985 (with sole voting and investment power, except as otherwise indicated) has been furnished by the respective directors and officers. Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 and Section 2(1) of the Canada Business Corporations Act.

	Corporation		CPL		CPEL		Algoma	
Name of Beneficial Owner	Number of Shares(a)	Percent of Class(a)	Number of Shares(a)	Percent of Class(a)	Number of Shares(a)	Percent of Class(a)	Number of Shares(a)	Percent of Class(a)
Russell S. Allison	None	(b)	None	(b)	600	(b)	None	(b)
M. Norman Anderson	None	(b)	1,000	(b)	1,000	(b)	None	(b)
Kenneth S. Barclay	175,500(1)	(b)	None	(b)	None	(b)	None	(b)
Frederick S. Burbidge	500	(b)	6,635	(b)	4,741	(b)	None	(b)
Robert W. Campbell	250	(b)	2,000	(b)	505	(b)	101	(b)
Michael D. Dingman	200	(b)	None	(b)	None	(b)	None	(b)
Stuart E. Eagles	100	(b)	None	(b)	2,000	(b)	101	(b)
John Macnamara	100	(b)	None	(b)	486	(b)	1,046 2,000 Convertible Preferred Series 1	(b)
Brian R. B. Magee	36,600(2)	(b)	None	(b)	None	(b)	None	(b)
John R. Meyer	1,000	(b)	None	(b)	None	(b)	None	(b)
Peter M. Nixon	100	(b)	None	(b)	None	(b)	1,500	(b)
C. Douglas Reekie	None	(b)	None	(b)	465	(b)	None	(b)
James E. Robison	2,000	(b)	None	(b)	None	(b)	None	(b)
Dalton D. Ruffin	11,000(3)	(b)	None	(b)	None	(b)	None	(b)
James R. Shepley	None	(b)	None	(b)	None	(b)	None	(b)
Arthur Temple	None	(b)	None	(b)	None	(b)	None	(b)
Robert J. Theis	500	(b)	None	(b)	None	(b)	101	(b)
All directors and officers as a group (41 persons)	1,218,811(4)		9,782		9,797		3,975 Common Shares and 2,000 Preferred Shares Series 1	

(a) Shares listed are Common Shares unless otherwise indicated.
(b) Less than 1% of the outstanding class.
(1) Includes 500 Common Shares owned by Mr. Barclay's wife, as to which Mr. Barclay disclaims beneficial ownership. Also includes 125,000 Common Shares as to which Mr. Barclay has the right to acquire beneficial ownership under existing stock options.
(2) Includes 6,500 Common Shares owned by Mr. Magee's wife, as to which Mr. Magee disclaims beneficial ownership.
(3) Includes 1,800 Common Shares owned by Mr. Ruffin's son, as to which Mr. Ruffin disclaims beneficial ownership.
(4) Includes an aggregate of 11,525 Common Shares as to which individuals in the group (including those listed above) disclaim beneficial ownership. Includes 930,000 Common Shares as to which officers have the right to acquire beneficial ownership under existing stock options.

CERTAIN BUSINESS RELATIONSHIPS AND RELATED TRANSACTIONS

During 1984 the Corporation and its subsidiaries engaged in a number of transactions with CPL and its subsidiaries, including Algoma. The aggregate transactions consist of sales by the Corporation and its subsidiaries of $5,667,000 and purchases by the Corporation and its subsidiaries of $42,587,000. Included within these aggregate figures are purchases of steel products from Algoma in the total amount of $21,657,000 and purchases of transportation services from CP Rail in the amount of $5,457,000. Included within the sales figures are sales to Algoma in the amount of $886,000 and sales to CP Rail of $1,348,000.

On March 1, 1985, the Corporation entered into an agreement with a management group regarding the sale of AIC's Consumer Products operation for the division's net book value (approximately $34,028,000 at December 31, 1984). The management group is comprised of certain division employees and Robert H. Elman, a former Senior Group Vice President of the Corporation, who has resigned to join the new venture in which he will acquire 38% of the common shares. AIC will retain a 40% common share interest and a convertible preferred share interest in the new venture. In addition it is presently contemplated that the Corporation will unconditionally guarantee revolving debt incurred by the new venture for purposes of financing the acquisition and for working capital.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Cash Compensation

The following table, presented in accordance with the rules of the U.S. Securities and Exchange Commission, sets forth information concerning all cash compensation paid for services rendered in 1984 to the Corporation and its subsidiaries to (i) each of the five most highly compensated executive officers of the Corporation, and (ii) all executive officers of the Corporation as a group.

Name of Individual or Number of Persons in Group	*Capacities in which Compensation was Received*	*Cash Compensation (1)*
K. S. Barclay	Chairman, President and Chief Executive Officer	$ 553,154 (2)
F. W. Jones	Group Vice President	388,853 (3)
F. J. Stevenson	Executive Vice President	286,099
K. H. Schwamborn	Group Vice President	276,099
W. R. Holland	Executive Vice President	265,000
All executive officers as a group (25 persons) (4)		4,195,754 (1)

(1) Included in cash compensation are amounts deferred in 1984 pursuant to AIC's Savings and Investment Plan, a qualified defined contribution plan designed to satisfy the provisions of Section 401(k) of the Internal Revenue Code.

(2) Certain compensation paid in Canadian dollars has been converted at a conversion rate of Cdn. $1.00 = U.S. $0.77.

(3) Mr. Jones' compensation is paid in accordance with an employment contract between Mr. Jones and an indirect subsidiary of the Company entered into in connection with the acquisition of Giddings & Lewis, Inc.

(4) Includes one-time allowance of $20,000 paid to each of two individuals who became executive officers of the Corporation in 1984.

The following table, presented in accordance with the Canada Business Corporations Act and the Regulations thereunder, sets forth the aggregate remuneration paid or payable by the Corporation and its subsidiaries in respect of 1984 to the Directors of the Corporation as a group in their capacity as Directors of the Corporation and any of its subsidiaries, and to the Officers of the Corporation as a group, each of whom earned in excess of Cdn. $40,000.

	Nature of Remuneration Earned					
	Directors' Fees	Salaries	Bonuses	Non-Accountable Expense Allowance	Note (1) Other	Totals
Remuneration of Directors	$	$	$	$	$	$
(A) Number of Directors: *14						
(B) Body Corporate incurring the expense:						
AMCA International Limited	171,832 (2)	—	—	—	—	171,832 (2)
AMCA International Corporation	236,450	—	—	—	125,948	362,398
AMCA Netherlands B.V.	24,676	—	—	—	—	24,676
Remuneration of Officers						
(A) Number of Officers: **25						
(B) Body Corporate incurring the expense:						
AMCA International Limited	12,855 (2)	205,208 (2)	—	—	—	218,063 (2)
AMCA International Corporation	23,200	3,799,019	82,175	—	40,000	3,944,394
AMCA Netherlands B.V.	33,297	—	—	—	—	33,297
TOTALS	502,310	4,004,227	82,175	—	165,948	4,754,660

*Not including one Director who is also an Officer.
**Includes one Officer who is also a Director.

Note (1) Estimated aggregate cost to the Corporation and its subsidiaries in the year ended December 31, 1984 of all pension or retirement benefits proposed to be paid in the event of retirement at normal retirement age as a group to the Directors and Officers of the Corporation.

Note (2) Amounts originally paid in Canadian dollars have been converted to United States dollars at a conversion rate of Cdn. $1.00 = U.S. $0.77.

Incentive and Deferred Compensation Plans

AIC maintains a Corporate Net Worth Incentive Compensation Plan ("IC Plan") for certain of its key employees. Eligibility for participation in the IC Plan is determined by the Management Resources and Remuneration Committee of the Board of Directors of AIC (in the case of the Chief Executive Officer) or by the Chief Executive Officer of AIC subject to approval by the Management Resources and Remuneration Committee (for all other participants). Participants are classified into fixed groups; the formula for incentive compensation is slightly different for each group. For the most highly compensated participant, the formula for determining the amount of incentive compensation is an amount which is a percentage of the regular base salary paid to the participant for the period during such year when he was a participant, equal to 8 times the amount by which the Percentage Return on Net Worth (as defined) for such year exceeds 5%, however, not to exceed 120% of the regular base salary paid to the participant as an employee. For the other groups of participants, the multiple decreases incrementally from 6⅔ to 1⅓. Also, the maximum amount which may be paid decreases incrementally from 100% of base salary to 20% of base salary. Percentage Return on Net Worth is defined as the after tax earnings applicable to Common Shares for such year expressed as a percentage of the Average Net Worth for such year. Average Net Worth is defined as the average stockholder's equity as reflected on the monthly consolidated financial statements of the Corporation and its subsidiaries, less the amount required to provide for the aggregate dividends on any preferred stock payable by the Corporation. Incentive compensation awards are subject to the approval of the Management Resources and Remuneration Committee of the Board of Directors of AIC. A virtually identical plan is maintained for key employees of the Corporation. Incentive compensation awards under the Corporation's plan are subject to approval of the Management Resources and Remuneration Committee of the Board of Directors of the Corporation. No payments were made under the IC Plan or the Corporation's corresponding plan in 1984.

In addition to the foregoing plans, incentive compensation plans similar to the IC Plan are maintained on behalf of the Corporation's operating units. One of the executive officers of the Corporation participated in such a plan in 1984 under which he received a bonus of $37,175 as a Division President. Effective January 1, 1984, AIC instituted a Long-Term Incentive Compensation Plan for AIC's division presidents. The plan provides that upon the attainment of pre-established operating goals, a supplemental bonus under the applicable incentive compensation plan would be awarded. If 80% or more of the operating goals are achieved, participants are awarded a supplemental bonus equal to 25% of the applicable incentive compensation plan bonus. If 60% or more of the operating goals are achieved, the supplemental bonus awarded shall equal 15% of the applicable incentive compensation plan bonus. No bonus is awarded if less than 60% is achieved. The dollar value of the supplemental bonus is not paid out in cash, but rather is

divided by the market price of the Corporation's Common Stock at the time of the award to arrive at a number of phantom shares which are then credited to the participant. After five years, the participant has the right to receive in cash an amount equal to the prevailing market price of the phantom shares credited to him under the plan.

In connection with the acquisition by AIC of Giddings & Lewis, Inc. in 1982, AIC entered into an employment contract with Mr. Jones which extends until October 3, 1985 and which provides for minimum annual compensation, determined on a fiscal year basis ending October 3, of $356,723. This minimum amount was determined primarily on the basis of Mr. Jones' compensation payable by Giddings & Lewis, Inc. prior to the acquisition and is comprised of base salary, bonus, and allocations to Mr. Jones' account in the Giddings & Lewis Profit Participation Plan, a qualified defined contribution plan under which each participant has the right to elect to have either 25% or 50% of his allocation for any year paid to him currently rather than on a deferred basis. For 1984, no allocation was made to Mr. Jones' account in the Profit Participation Plan.

Mr. Jones also participates in the Giddings & Lewis Savings Plan, a qualified defined contribution plan which is available to all employees of Giddings & Lewis. He is entitled to contribute 3% of his compensation to the plan. If Giddings & Lewis earns less than 15% of the value of its equity, it will contribute $0.25 for each $1.00 contributed by the participant. If Giddings & Lewis earns 15% or more of the value of its equity, it will contribute $0.50 for each $1.00 contribution made by the participant. AIC did not contribute to the savings plan on Mr. Jones' behalf for 1984. Because amounts contributed to both the Profit Participation Plan and the Savings Plan are contingent upon future profits, it is not possible to estimate the amount of benefits payable to Mr. Jones from these plans upon his retirement.

Stock Option Plan

The Corporation also maintains a nonqualified stock option plan ("Option Plan") for key employees. Under the Option Plan, the Management Resources and Remuneration Committee recommends to the Board of Directors those employees to whom options to purchase Common Stock should be granted, the number of shares to be placed under option and the price payable upon exercise of the option. In no instance may the exercise price be less than 90% of the market price of a share of Common Stock at the time the option is granted. Also, options may not be granted for a period longer than ten years. The Board may accept, modify or return the Committee's recommendation for further consideration. Since January 26, 1965, the date of inception of the Option Plan, a total of 2,916,850 options to purchase Common Stock have been awarded under the Option Plan. This number reflects a two for one stock split in each of the years 1974, 1976 and 1979. As of March 15, 1985, 1,041,900 options are outstanding and remain unexercised under the Option Plan, and 368,150 Common Shares are reserved for purposes of future grants.

The following table sets forth as to each of the five most highly compensated executive officers of the Corporation, and as to all executive officers as a group, certain information in aggregate amounts with respect to stock options granted or exercised since January 1, 1984.

	K. S. Barclay	*F. W. Jones*	*K. H. Schwamborn*	*F. J. Stevenson*	*W. R. Holland*	*All Executive Officers as a group (25 persons) (1)*
Aggregate number of shares as to which options were granted since January 1, 1984 (1)	125,000	25,000	35,000	75,000	75,000	600,000
Net Value realized (market value less exercise price) with respect to options exercised since January 1, 1984	—	—	—	—	—	$880,141(2)

(1) Not all executive officers in the group participate in the Option Plan. All options were granted on July 23, 1984, and are exercisable within a period of 10 years following that date at a purchase price of Cdn. $18⅝. For the 30 days preceding July 23, 1984, the price of a Common Share on The Toronto Stock Exchange and the Montreal Exchange ranged from Cdn. $18¼ to Cdn. $20¼.

(2) Net value realized has been determined by converting both exercise price and market value from Canadian dollars to United States dollars at the noon spot rate on the date the options were exercised.

The following table sets forth as to all directors and officers of the Corporation as a group information by quarter regarding options exercised between April 1, 1984 and October 31, 1984. No options were exercised during the first quarter of 1984 or after October 31, 1984.

1984	Number of Common Shares	Purchase Price (Cdn. Dollars)	Price Range on Toronto and Montreal Stock Exchanges (Cdn. Dollars)
2nd Quarter	100,000	$12.00	$23⅝—$19½
3rd Quarter	—	—	$22 —$16¾
4th Quarter (to October 31)	10,000	$12.00	$21⅝—$18⅞

In April, 1982 AIC instituted a loan program for the purpose of facilitating the exercise of stock options pursuant to the Option Plan described above. Loans are made only if, at the time of the loan, the market value of the Common Shares purchased and placed as collateral for the loan exceeds 125% of the principal amount of the loan. Participation in the program is subject to the approval of the Corporation's Board of Directors. The following table shows the name and relationship to the Corporation of each executive officer who was indebted to AIC under the stock option loan program at any time since January 1, 1984 in an amount in excess of Cdn. $10,000. In addition, the table shows (1) the largest amount of indebtedness outstanding at any time since January 1, 1984, and (2) the amount of indebtedness outstanding as of March 15, 1985. All loans under the stock option loan program carry an interest rate of 7%.

Name	Relationship	Largest Amount of Indebtedness Since January 1, 1984	Amount of Indebtedness Outstanding on March 15, 1985
R. E. Chamberlain	Senior Group Vice President	$527,338	$314,747
R. H. Elman(1)	Senior Group Vice President	202,034	0
J. H. Frost	Vice President	231,467	231,467
W. R. Holland	Executive Vice President	300,000	300,000
R. C. Kelley	Group Vice President	327,975	327,975
R. A . Reid	Vice President	208,325	208,325
F. H. Roland	Senior Vice President	104,238	104,238
F. J. Stevenson	Executive Vice President	489,855	240,000

(1) In 1985 Mr. Elman resigned to join a new venture formed for the purpose of acquiring AIC's Consumer Products operation.

Retirement Income Plan of AMCA International Limited

One executive officer of the Corporation actively participates in the Retirement Income Plan of the Corporation (the "AIL Plan"), a defined benefit plan which is applicable to salaried employees of the Corporation who are Canadian residents. Other executive officers of the Corporation are entitled to accrued benefits payable from the AIL Plan with respect to past service under that plan. The AIL Plan computes monthly benefits payable at normal retirement (age 65) on the basis of average monthly continuous best five years of base salary before age 65, and the average monthly maximum pensionable earnings for the same period. The maximum pensionable earnings are defined by the Canada/Quebec government pension plans. The monthly pension benefit is the sum of (i) 65% of the average monthly maximum pensionable earnings, and (ii) 35% of the average monthly continuous best five years of base salary in excess of the average monthly maximum pensionable earnings, less (iii) the monthly government benefits from the Old Age Security and Canada/Quebec Pension Plans ("Government Benefits"), multiplied by the ratio, not to exceed the number one, that the employee's credited service bears to the number 35.

The following table shows estimated annual gross benefits payable as a single life annuity under the AIL Plan including Government Benefits. The Government Benefit is assumed to be Cdn. $6,000 per year, or Cdn. $500 per month. The maximum pensionable earnings are assumed to be Cdn. $15,000 per year. Under applicable law, the maximum annual benefit payable under the AIL Plan is the lesser of (i) Cdn. $1,715 per month times the number of years of pensionable service not to exceed 35 years, and (ii) 2% per year of service, not to exceed 35 years, times the average of the best three consecutive years of remuneration.

Average Continuous Best Five Years of Base Salary	Years of Service				
	15	20	25	30	35
Cdn.$ 50,000	Cdn.$ 9,428	Cdn.$12,571	Cdn.$15,714	Cdn.$18,857	Cdn.$22,000
75,000	13,178	17,571	21,964	26,357	30,750
100,000	16,928	22,571	28,214	33,857	39,500
150,000	24,428	32,571	40,714	48,857	57,000
200,000	31,725*	40,300*	48,925*	57,450*	66,025*
250,000	31,725*	40,300*	48,925*	57,450*	66,025*
300,000	31,725*	40,300*	48,925*	57,450*	66,025*

*Canadian federal government maximum equal to (i) the product of Cdn. $1,715 times years of service plus (ii) Cdn. $6,000 of Government Benefits.

In connection with the AIL Plan, the Corporation maintains a voluntary retirement savings plan into which the one executive officer participating in the AIL Plan can contribute up to 5% of his base salary to a maximum of Cdn. $3,500 per year. The Corporation will contribute 40% of the participant's contribution for participants who earn up to Cdn. $70,000, and it will contribute 2% of base salary for participants who earn over Cdn. $70,000 and who contribute Cdn. $3,500. Since future contributions made by the Corporation are contingent upon participant contributions, it is not possible to estimate the benefits payable to such officer upon retirement.

AMCA International Corporation Revised Retirement Plan

Certain executive officers of the Corporation participate in the AMCA International Corporation Revised Retirement Plan (the "AIC Plan"), a qualified defined benefit plan available to salaried employees of AIC. The amount payable at age 65 is 1.429% of a participant's monthly salary during the highest average five years of compensation out of the ten immediately preceding years times the years of service, minus 2.143% of monthly Primary Insurance Amount (PIA) Social Security Benefits, times up to a maximum of 35 years of service. For service over 35 years the percentage used to calculate benefits increases by 0.5% per year. Compensation covered by the AIC Plan is total cash compensation, including bonuses and awards made under the AIC Plan described above, but excluding directors' fees and other non-service related compensation. Current compensation covered by the AIC Plan for each of the five most highly compensated executive officers of the Corporation, and the current number of years of employment under the AIC Plan for each such individual, is as follows:

Name	1984 Covered Compensation	Years of Employment
K. S. Barclay	$506,000	35 years
F. W. Jones (1)	388,853	23 years
F. J. Stevenson	275,000	19 years
W. R. Holland	265,000	12 years
K. H. Schwamborn (2)	265,000	5 years

(1) Effective January 1, 1984, Mr. Jones began active participation in the AIC Plan and has received credit hereunder for his past service with Giddings & Lewis.

(2) Mr. Schwamborn is entitled to 23 years of credited service under a plan maintained by Bomag.

The following table shows annual gross benefits payable under the AIC Plan as a single life annuity upon retirement at age 65 for employees in the salary classifications and within the years of service specified, before deduction for the PIA Social Security Benefit Offset. The maximum annual benefit payable under the AIC Plan is that permitted by regulations of the Secretary of the Treasury, or pursuant to the Tax Equity and Fiscal Responsibility Act of 1982. However, the amount shown is the total benefit under the AIC Plan formula for calculating the pension irrespective of the maximum limit, as the Corporation will pay, outside the plan, the excess over the maximum limit, less a deduction for the PIA Social Security Benefit Offset:

Average Continuous Best Five Years of Base Salary	Years of Service				
	15	20	25	30	35
$ 100,000	$ 21,435	$ 28,580	$ 35,725	$ 42,870	$ 50,015
150,000	32,153	42,870	53,588	64,305	75,023
200,000	42,870	57,160	71,450	85,740	100,030
250,000	53,588	71,450	89,313	107,175	125,038
300,000	64,305	85,740	107,175	128,610	150,045
400,000	85,740	114,370	142,900	171,480	200,060
500,000	107,175	142,900	178,625	214,350	250,075
600,000	128,610	171,480	214,350	257,220	300,090
700,000	150,045	200,060	250,075	300,090	350,105
800,000	171,480	228,640	285,800	342,960	400,120
900,000	192,915	257,220	321,525	385,830	450,135
1,000,000	214,350	285,800	357,250	428,700	500,150

Other Retirement Income Plans

The Corporation is obligated to make pension payments to certain executive officers of the Corporation under several plans which were assumed in various acquisitions. The Koehring Company Salaried Employees' Pension Plan is available to salaried employees of the Koehring Divisions. The formula for benefits is the product of (a) the greater of (i) 1% of a participant's average monthly compensation, including commissions and bonuses, during the five consecutive calendar years within the last ten calendar years of employment, multiplied by the participant's years of service, or (ii) 1.6% of the participant's average monthly compensation during the five consecutive calendar years within the last ten calendar years of employment less 2% of the social security benefit, multiplied by (b) his years of service (not to exceed 25 years).

The Giddings & Lewis Retirement Plan for Salaried Employees (the "G&L Plan") is available to salaried employees of the Giddings & Lewis Divisions. The formula for computing monthly benefits payable at normal retirement (age 65) is: 2% of average monthly continuous best five years of base salary times years of service (up to 30 years), minus 2.5% of monthly Primary Insurance Amount (PIA) Social Security Benefits times years of service (up to 30 years). Compensation covered by the G&L Plan includes regular base salary and certain commissions deemed to be taxable compensation, but excludes incentive compensation awards and other forms of additional compensation.

The following table shows annual gross benefits payable as a single life annuity under the G&L Plan, before deduction for the PIA Social Security Benefit Offset, upon retirement at age 65 for employees in the salary classifications and within the years of service specified. The maximum annual benefit payable under the G&L PLan is that permitted by regulations of the Secretary of the Treasury, or pursuant to the Tax Equity and Fiscal Responsibility Act of 1982. However, the amount shown is the total benefit under the G&L Plan formula for calculating the pension irrespective of the maximum limit, as the Corporation will pay, outside the Plan, the excess over the maximum limit less a deduction for the PIA Social Security Benefit Offset.

Regular Base Salary Plus Commissions	Years of Service			
	15	20	25	30
$175,000	$52,500	$ 70,000	$ 87,500	$105,000
200,000	60,000	80,000	100,000	120,000
250,000	75,000	100,000	125,000	150,000
300,000	90,000	120,000	150,000	180,000

The DESA Industries Retirement Plan (the "DESA Plan") was replaced effective July 1, 1983 by a plan for salaried employees of Continental-Midland working at the same location. The benefit formula under the DESA Plan is the greater of 1.1% of the participant's final average earnings while employed at DESA, multiplied by his years of service at DESA, or, $48 multiplied by the years of service at DESA, plus 1% of his final average earnings multiplied by his years of service at DESA up to a maximum of ten years service. The final average earnings are the highest average earnings, including overtime and bonuses, paid to a participant during any five consecutive calendar years. One of the Corporation's executive officers has accrued benefits under this plan.

The Amtel, Inc. Salaried Employees' Pension Plan covered salaried employees of the headquarters staff of Amtel, Inc. A few of the Corporation's executive officers have accrued benefits under this plan. The formula for computing benefits is 50% of the base salary for the highest five years out of the last ten less 75% of the participant's primary social security benefit, both amounts to be reduced by one twenty-fifth (1/25) for each year that the participant's years of service fall short of 25 years.

Employees who participated in the Koehring, Giddings & Lewis, DESA or Amtel plans described above, and who later became participants under the AIC Plan, are entitled to a benefit under the AIC Plan equal to the larger of (1) their benefit under the AIC Plan formula commencing with the date of participation in the AIC Plan or (2) the benefit they would have had under the AIC Plan if they had participated in the AIC Plan from the time they commenced participation in the Koehring, Giddings & Lewis, DESA or Amtel Plan, with their benefit under the Koehring, Giddings & Lewis, DESA or Amtel Plan subtracted therefrom.

At the time Clyde Iron Works, Inc. was acquired, the Retirement Plan for Salaried Employees (the "Clyde Plan") was in effect. On December 31, 1975, the Clyde Plan was merged into the AIC Plan. Participants in the Clyde Plan who became participants in the AIC Plan have accrued benefits equal to the sum of their benefits under the Clyde Plan as of December 31, 1975 and their benefits calculated under the AIC Plan formula for service after December 31, 1975.

Under a prior agreement with Koehring Company, Mr. Schwamborn has a vested pension for his service with Bomag. The vested pension at age 65 is 11,640.07 DM per month payable on a life annuity basis.

Other Plans

The Corporation maintains an insured plan which pays for health care benefits that are not paid by the regular Group Health Care Plan. The plan provides a maximum benefit of $3,000 per member, and eligible members are officers of the Corporation with the title of Chairman, President, Executive Vice President, Group Vice President, Senior Vice President or Vice President.

The following table sets forth the amount paid under this plan in 1984 on behalf of the individuals covered:

K. S. Barclay	$1,000
K. H. Schwamborn	0
F. W. Jones	221
F. J. Stevenson	1,000
W. R. Holland	700
All others (11 persons)	6,447

AIC has entered into agreements with several of its executive officers which provide for payment by AIC of certain benefits upon the death, disability, retirement or early retirement of the officer. Although the amounts payable under the agreements differ, as shown below, the other terms of the agreements are identical. The agreements provide that 180 monthly payments will be made to the employee or his designated beneficiary upon the retirement of the employee at age 65 in the annual amounts specified in the table below. Lesser amounts are payable in the event of: the death of the employee while in the active employ of AIC; the total disability of the employee while in the active employ of AIC and prior to attaining age 65; and the retirement of the employee after age 60 and before age 65.

AIC Agreements

K. S. Barclay	$ 53,860
F. J. Stevenson	52,440
W. R. Holland	52,440
All others (15 persons)	578,504

Mr. Schwamborn entered into an agreement with Koehring Company before the Corporation acquired Koehring. The Corporation has assumed the obligation to make the payments under this agreement. The agreement is similar to the AIC agreements with the exception that the Koehring agreement does not call for payments to be made in the event of early retirement. The Corporation is obliged to pay to Mr. Schwamborn $30,000 annually in monthly installments over a period of 10 years.

Certain incidental personal benefits to employees, including executive officers, of the Corporation (not otherwise disclosed in this Proxy Statement) may result from expenses incurred by the Corporation such as the cost of providing them with Company-owned or leased automobiles and club memberships to facilitate the performance of their duties. For fiscal 1984 the incremental cost to the Corporation of such personal benefits received by any individual named in the Cash Compensation table did not exceed the lesser of $25,000 or 10 percent of the indicated amount of compensation, or with respect to all executive officers as a group, 10 percent of the total compensation indicated or $25,000 times the number of persons in the group.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Corporation participates in a directors and officers liability insurance policy acquired by Canadian Pacific Limited in 1982 on its own behalf and on behalf of participating subsidiaries. The policy is for an initial term of three years with a coverage limit of Cdn. $100,000,000 each policy year for the directors and officers of the participating

corporations. The annual premium paid by the Corporation in 1984 was Cdn. $15,346 in respect of its officers as a group, and Cdn. $3,837 in respect of its directors as a group. The policy provides for the Corporation to absorb a deductible amount of Cdn. $75,000 on each loss.

APPOINTMENT OF AUDITORS

If no contrary instruction is indicated in the proxy, the persons named in the enclosed form of proxy intend to vote such proxy in favor of the appointment of Arthur Young & Company as auditors of the Corporation to hold office until the next annual meeting of shareholders, at a remuneration to be fixed by the Board of Directors. Arrangements have been made for one or more representatives of Arthur Young & Company to attend the annual meeting, to make a statement at such meeting if they desire to do so, and to be available to respond to appropriate questions.

PROPOSALS BY SHAREHOLDERS FOR 1986 ANNUAL MEETING

If any shareholder wishes to present a proposal for action at the 1986 annual meeting, such proposal must be received by the Secretary of the Corporation at the Corporation's registered office not later than November 22, 1985.

The contents and sending of this Proxy Circular have been approved by the Directors of the Corporation.

Toronto, Ontario
March 22, 1985

J. A. Davis, Secretary

PRINTED IN CANADA

Products and Services

Construction Products	Engineering and Construction Services	Financial, Marketing and Licensing Services	Industrial Products	Steel Products and Services	
	•				**AMCA International Finance** – Financial assistance for purchase of Company products and services
	•				**AMCA Netherlands** – Holding company and financial services
		•			**Anco/Votator** – Processing equipment for food, meat and chemical industries
		•			**Basic Electronics** – Single, double-sided and multi-layered printed circuit boards
		•			**Benton Harbor** – Hydraulic cylinders
•					**BOMAG** – Light and heavy duty compaction, stabilization and foundation equipment
		•			**Cherry-Burrell** – Processing and packaging equipment for food, dairy, beverage, pharmaceutical and cosmetic industries
		•			**Clyde** – Whirley cranes, specialized heavy duty lifting and pulling equipment
		•			**Continental/Midland** – Threaded and non-threaded fasteners
		•			**Davis Tool** – Boring tools, fixtures and special boring and facing machines
	•		•		**DB Engineers & Constructors** – Engineering and construction services
	•				**DB/McDermott*** – Design, fabricate and install offshore structures and lay marine pipeline
	•		•		**Dominion Bridge** – Fabricated industrial steel products and equipment; structural steel for buildings and bridges; steel service centers; engineering and construction services
	•		•		**Dominion Bridge-Sulzer*** – Fabricated industrial steel products especially for electric utility applications; structural steel; construction services
		•			**Fenn** – Precision aerospace components; metal forming machines
		•			**Giddings & Lewis-Bickford** – CNC machining centers, tool grinders, radial and upright drills
		•			**Giddings & Lewis Electronics** – Host computer systems, computer numerical controls, programmable controllers and microprocessors
		•			**Giddings & Lewis Foundry** – Castings and patterns
		•			**Giddings & Lewis-Fraser** – CNC machining and turning centers and textile machinery
		•			**Giddings & Lewis Machine Tool** – CNC horizontal machining centers, CNC vertical and horizontal turning centers
		•			**Gilman** – Automatic assembly equipment, balancing machines and vertical automatic lathes
		•			**HUSCO** – Hydraulic control valves
	•				**IMODCO** – Offshore marine terminals
		•			**Jackson Buff** – Industrial buffs
		•			**Janesville** – Non-woven padding for autos, trucks
	•				**JESCO** – Commercial, industrial and process industry construction and millwright services
•					**Koehring Canada** – Pulpwood harvesting and paper mill machinery
•					**Koehring Construction Equipment** – General construction and material handling equipment
•					**Koehring Cranes & Excavators** – Koehring hydraulic excavators; Lorain hydraulic and cable cranes
	•				**Litwin Companies** – Engineering and construction services to worldwide petroleum and chemical processors
			•		**Manitoba Rolling Mills** – Rolling mill products; bar and light structural steel sections
		•			**Marshall & Huschart** – Machine tool distribution
•					**MENCK** – Pile-driving hammers and related equipment
		•			**Monroe Forgings** – Alloy metal forged rings, bars, discs
		•			**Morgan/Provincial** – Industrial overhead traveling cranes; gantry cranes; steel mill equipment
	•				**ORBA** – Design, construction and operation of dry bulk material handling systems
		•			**Osborn** – Power brushes, maintenance brushes, paint brushes, rollers and aerosols
		•			**Pegasus** – Servo valves and load simulators
		•			**Pressed Steel Tank** – Steel pressure vessels for storage of solids, liquids and gases
	•				**Quonset Buildings** – Pre-engineered farm buildings
			•		**Robb Engineering** – Structural steel fabrication and erection
		•			**Snyder** – Special machine tools and transfer systems
					Span Holdings – International purchasing, marketing and consulting services
		•			**Speedstar** – Well drilling machines
	•				**Stran Buildings** – Pre-engineered non-residential buildings
		•			**Unit Crane** – Pedestal-mounted marine cranes
	•				**Varco-Pruden Buildings** – Pre-engineered non-residential buildings
	•				**Wiley** – Barges, self-propelled vessels; dredges; tunnel tube and marine fabrication

*Joint venture

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